

# NOMINATION OF THOMAS D. JONES

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## HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY  
UNITED STATES SENATE

SIXTY-THIRD CONGRESS, SECOND SESSION

ON

THE NOMINATION OF THOMAS D. JONES FOR  
APPOINTMENT AS A MEMBER OF THE  
FEDERAL RESERVE BOARD

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PRESENTED BY MR. HITCHCOCK

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MONDAY, JULY 6, 1914.

COMMITTEE ON BANKING AND CURRENCY,  
UNITED STATES SENATE,  
*Washington, D. C.*

The committee assembled at 10.30 o'clock a. m.

Present: Senators Gilbert M. Hitchcock (presiding), Reed, Pomerene, Shafroth, Hollis, Lee, Nelson, Bristow, Crawford, and McLean.

Senator HITCHCOCK. The committee has invited Mr. Thomas D. Jones, of Chicago, to appear for the purpose of giving the committee any further information he may desire. Mr. Jones, will you please state, for the record, your name, residence, and business?

### STATEMENT OF MR. THOMAS D. JONES, OF CHICAGO, ILL.

Mr. JONES. My name is Thomas D. Jones. My residence is Chicago. Do you want the street address?

Senator HITCHCOCK. I hardly think that will be necessary.

Mr. JONES. At present I am not in active business. I was an attorney at law for some years.

Senator HITCHCOCK. Mr. Jones, the committee is charged with the duty of making a report to the Senate on your nomination to be a member of the Federal Reserve Board, and finds certain business connections of yours that it would like to have further information about; and I think the first question that may be properly taken up is your connection with the International Harvester Co. as a director. Will you please state when you became a director of that company?

Mr. JONES. I became a director of the International Harvester Co. in November, 1909.

Senator HITCHCOCK. Had you, previous to that time, been interested in the company?

Mr. JONES. I had no interest of any kind in that company previous to that time. I had no connection whatever with it of any sort.

Senator HITCHCOCK. Had you any connection of any sort with its subsidiary companies?

Mr. JONES. I had no connection of any sort with its subsidiary companies.

Senator HITCHCOCK. You are not one of the Jones family mentioned in the Plano Co.?

Mr. JONES. I am not. Mr. Jones of the Plano Co. I had never met until I became a member of the board, although I knew of him.

Senator HITCHCOCK. You are named as one of the defendants in the action brought by the United States?

Mr. JONES. I am.

Senator HITCHCOCK. Against the harvester company?

Mr. JONES. I am.

Senator HITCHCOCK. When was that action brought?

Mr. JONES. That action was brought in the summer of the presidential campaign—that would be the summer of 1912, would it not?

Senator SHAFROTH. Yes.

Mr. JONES. The summer of 1912.

Senator HITCHCOCK. Did you yourself answer in that case?

Mr. JONES. A joint answer was put in on behalf of all the defendants.

Senator HITCHCOCK. What was the nature of the answer on your part?

Mr. JONES. The nature of the answer on my part was a denial of any conspiracy in restraint of trade. The answer was put in by the attorneys of the company, and consisted in the main of a general denial of the charges of the bill.

Senator HITCHCOCK. Your answer was identical with the others?

Mr. JONES. My answer was identical with that of the other individual defendants.

Senator HITCHCOCK. Have you appeared as a witness in the hearing in that case?

Mr. JONES. I have not.

Senator POMERENE. May I ask a question here, Mr. Chairman?

Senator HITCHCOCK. Certainly.

Senator POMERENE. Were there separate answers filed for each of the defendants, or was there a joint answer of all?

Mr. JONES. Certain groups of the defendants answered together is my recollection. The answers were put in by the attorneys of the company, and there were certain charges—the corporation made certain answers, and then my recollection is that certain charges were made specifically against certain of the defendants which were answered. But those directors who had nothing to do with the organization, their answers were general.

Senator HITCHCOCK. What do you mean by "general," Mr. Jones?

Mr. JONES. Denying the intention to monopolize or to accomplish a restraint of trade, and denying the practices that were alleged to be oppressive.

Senator HITCHCOCK. A part of the complaint as it was read to the committee was with regard to continuing acts of the corporation down to very recent years; down to the filing of the suit in 1912. Have you any acquaintance with those acts complained of?

Mr. JONES. No, sir; and my reading of the record was that, although there is such a general allegation, there is absolutely no proof of it. The charges were made as of continuing acts; but I read the briefs of counsel of the various sides, and the case finally turned almost entirely on the method of the original organization of the company as being an attempt to create a monopoly in restraint of trade.

Senator HITCHCOCK. Would you like to state to the committee your reasons for your going into the directorate of this company without having any financial interest in it?

Mr. JONES. Certainly. I had been on terms of close intimacy with the McCormick family since I went to Chicago, over 30 years ago, and in the early part of 1909 they said to me that there was a vacancy on the board of the Harvester Co. and they would like me to consent to become a director. I told them what they knew already, that I had no interest whatever in the stock of the concern, and had no plans contemplating an investment; and they said they knew that, and that it was not an investor in stocks that they were looking for, it was somebody who could afford to give the time and was willing to give the time—such time as would be demanded as a director of the company; and they asked me as a personal favor to consent to do so.

Senator HITCHCOCK. Not for any compensation?

Mr. JONES. Not the slightest nor the promise of any or the expectation of any.

Senator POMERENE. When you say "they," will you please state the names?

Mr. JONES. Mr. Cyrus H. McCormick was the man who asked me; but he told me that he was speaking on behalf of his mother and brother and sister and the family. My acquaintance had been a family acquaintance from the time I went to Chicago.

Senator HITCHCOCK. It was then a matter of personal feeling for the McCormick family that led you to become a director; acting on a desire to gratify them?

Mr. JONES. The request was made to me as a personal favor, a personal matter, and that was the initial motive in my giving consent. The work was to me an interesting one. I had the time to give it; and the relations of corporations to their employees and to the public is an interesting question; and I was willing to give the time, and I had the time to give; and I met the request of my friends for those reasons; and at the same time I recognized that it was a work that was worth giving some time and attention to; and I did give such time and attention as the work seemed to require.

Senator HITCHCOCK. Will you state the nature of the duties of the directors?

Mr. JONES. The duties of the directors of the International Harvester Co. are not particularly different from the duties of directors of other companies. Questions of general policy came regularly before the board.

Senator HITCHCOCK. In what form?

Mr. JONES. The relations of the company to its employees has had a good deal of attention by the board of the International Harvester Co., in the way of profit sharing and schemes of that sort, which are occupying the attention of the directors of a great many corporations at the present time; which are not yet satisfactorily solved, but they will be later.

Senator CRAWFORD. Just how long had the International Harvester Co. been in existence when you went on the board?

Mr. JONES. The International Harvester Co. was organized in 1901.

Senator NELSON. 1902, my impression is; but you may be right.

Mr. JONES. Either 1901 or 1902.

Senator REED. Mr. Chairman, I hope the Senator will not misunderstand me; but I suggest, for the sake of order that we let the

chairman finish his questions, and then let the Senator ask questions; that is in order that we may not get at cross purposes.

Senator CRAWFORD. I very seldom ask any questions; and I am usually corrected in that way by the Senator when I do. [Laughter.]

Senator REED. I never corrected you in my life; and I would be more likely to offend than you; but I make that suggestion because I can see that otherwise we might be acting at cross purposes. I am willing to be governed by it myself, although sometimes I am tempted to break that rule.

Senator HITCHCOCK. The acting chairman only desired to ask sufficient questions to bring the matter before the committee and then intended to leave it to the members to take up; and I think I have about accomplished that purpose; and other members of the committee are better posted on this end of the subject than I am.

There is another matter concerning a business connection of Mr. Jones that I think had better be taken up afterwards, if it meets the approval of the committee; and the chairman will now ask the other members of the committee to ask questions as to the International Harvester Co. I would suggest that Senator Reed begin.

Senator REED. Mr. Jones, you had no connection whatever with the International Harvester Co. until you became a director, as I understand it?

Mr. JONES. None whatever.

Senator REED. Did you have any business relations with any of the principal owners of the stock?

Mr. JONES. None whatever. I never had any professional or business relations with any of the members of the McCormick family; it was purely a personal acquaintance.

Senator REED. How did you acquire the one share of stock which you have?

Mr. JONES. The company carries a certain amount of stock which it issues to its stockholders, by way of bonus; it has invested in its name a portion of the shares of stock; and I purchased the stock from the company and paid par for it.

Senator REED. That would be \$100, I suppose?

Mr. JONES. \$100.

Senator REED. What was the capital stock of the company?

Mr. JONES. At that time it was \$120,000,000; \$60,000,000 of preferred and \$60,000,000 of common stock.

Senator REED. How much of that stock was in the hands of the voting trust?

Mr. JONES. I could not tell you that. That was a matter that the corporation, as such, had nothing to do with. The voting trust was created without the intervention of the corporation itself. But there was a large part. There was more than a majority of the stock.

Senator REED. Practically all of it?

Mr. JONES. Well, I should say a very large part of it. I really do not know just what it was. But the corporation, as a corporation, of course, had nothing to do with the voting trust.

Senator REED. I understand; but is not this true—so that we can get at it in a word—that when the International Harvester Co. was organized all of the stock except one share to each of the directors was impounded primarily from the stockholders into the hands of a voting trust, and did not those trustees hold the shares of stock, issu-



ing to the various parties who had put up assets or money, not certificates of stock, but certificates of the voting trust reciting that they held for the use and benefit of those owners certain shares of stock? That was the preliminary and original organization, was it not?

Mr. JONES. That is, I understand, substantially correct, except that I would not say that I think substantially all. I do not know what amount. I know there was more than a majority of the stock.

Senator REED. Complete control of the corporation for a number of years was by this device placed in the hands of the voting trustees?

Mr. JONES. Control of the stock?

Senator REED. Yes.

Mr. JONES. Yes; that is correct.

Senator REED. And a contract was made with the various parties who came into this organization, the various companies and the owners of the various companies—that is, the owners of the stock—by which their interest was to be paid for in the stock of the International Harvester Co., and, instead of the stock being turned over to them, at least a majority of it was held by the voting trustees?

Mr. JONES. That is correct.

Senator REED. Now, that arrangement was to continue for how many years?

Mr. JONES. That arrangement was to continue for five years; and there was a provision in the trust agreement that it might be extended for another five years, at the will of the trustees; and it was so extended.

Senator REED. Yes. That agreement was made about 1902?

Mr. JONES. Either 1901 or 1902.

Senator REED. And, of course, continues up to the present time?

Mr. JONES. No, sir; it has expired.

Senator REED. When did it expire?

Mr. JONES. It expired at the end of 10 years. If they made it in 1901, it expired in 1911; if they made it in 1902, it expired in 1912.

Senator REED. In any event, that voting-trust arrangement was in full force and effect at the time you were made a director?

Mr. JONES. It was.

Senator REED. You could not, therefore, have been elected a director of that company except by the acquiescence and consent, and, indeed, by the direct action of the voting trustees?

Mr. JONES. That is correct.

Senator REED. Now, the members of that voting trust were who?

Mr. JONES. There was a representative of the Morgan firm—my recollection is that it was Mr. Perkins; and Mr. Cyrus H. McCormick; and, I think, one of the Deering men. My recollection is a little hazy. I never had anything to do with the concern at that time, and my knowledge of the details of the trust was derived only from general conversations.

Senator REED. I am not asking who the voting trust was primarily, but who were the voting trustees at the time you were elected a director? Did not the voting trust consist of Mr. Perkins, Mr. Cyrus H. McCormick, and Mr. Deering?

Mr. JONES. That is my recollection of the voting trustees.

Senator REED. You had no acquaintance with Mr. Perkins at that time?



Mr. JONES. I do not think I had ever met Mr. Perkins at that time.  
Senator REED. And you had no acquaintance with Mr. Deering at that time?

Mr. JONES. Yes, sir; I had known Mr. Deering for many years, slightly. He is a Chicago man.

Senator REED. You had no business relations with him?

Mr. JONES. None whatever.

Senator REED. Did Mr. Deering ask you to become a director?

Mr. JONES. He did not.

Senator REED. The request came to you alone from Mr. Cyrus H. McCormick?

Mr. JONES. It did.

Senator REED. And having had a long acquaintance with him and his family, and being upon terms of personal intimacy and friendship with them, you accepted the position?

Mr. JONES. I did.

Senator REED. After you did accept the position, did you hold it merely in a nominal way, or did you take an active interest as a director?

Mr. JONES. I took an active interest as a director.

Senator REED. Did you attend the meetings of the board?

Mr. JONES. Every meeting that was held where I could go to it I attended.

Senator REED. How frequently did the board meet?

Mr. JONES. Every two weeks. When I first joined the board, however, quite a number of meetings used to be held in New York, for the reason that there were a good many directors living there. When the meetings were held in New York I did not go on, unless I was notified that there would be business requiring the full board, in which case I went on. But during the period I have been a member of the board I think I have not missed more than two or three meetings of all the meetings that have been held.

Senator REED. Whether they were held in Chicago or in New York?

Mr. JONES. No, sir; I mean those held in Chicago. I did not attend all of those held in New York.

Senator REED. How many meetings would you say were held in New York that you were not present at?

Mr. JONES. There were a good many. I went to New York twice to attend the meetings, and I could not tell you just how many meetings of the board were held in New York that I did not attend.

Senator REED. Could you approximate it in any way?

Mr. JONES. Well, there were probably a dozen or more meetings that I did not attend.

Senator REED. Do you know in what year they were held?

Mr. JONES. They were held, I should say, some of them in 1909, 1910, and 1911.

Senator REED. Do you think that you were present at all meetings at which important business was transacted?

Mr. JONES. Well, I could not be sure of that, Senator, because if a meeting were held in New York and I was advised that important business was to be transacted—I was usually so notified, and, as I say, I went there twice to attend meetings.

Senator REED. Were you present at any meetings at which the officers were authorized to acquire any new companies or properties belonging to outside companies?

Mr. JONES. No, sir; I was not.

Senator REED. Were you present at the meeting at which the stock was raised from \$120,000,000 to \$140,000,000?

Mr. JONES. I was present at a meeting at which that was considered. I think I was present at the meeting at which the final vote was taken. I am sure I was present at a meeting at which it was considered.

Senator REED. Did you favor that proposition?

Mr. JONES. I did.

Senator REED. You did favor that proposition?

Mr. JONES. I did.

Senator REED. Were you present at the meeting at which the stock dividend of \$20,000,000 was declared?

Mr. JONES. I was.

Senator REED. Did you favor that or oppose it?

Mr. JONES. I did; I favored it.

Senator REED. Where are the minutes of the directors' meetings?

Mr. JONES. They are kept by the secretary.

Senator REED. Yes; they are kept by him; but where are they actually now—do you know—Chicago?

Mr. JONES. I suppose they are in Chicago.

Senator REED. Did you ever examine the books to see whether they kept pretty full record of the meetings—the minute book?

Mr. JONES. I never examined the book itself, Senator.

Senator REED. You have heard them read, however, at meetings?

Mr. JONES. I have. The minutes of previous meetings are always read.

Senator REED. Could you say in a general way whether these minutes were pretty fully kept?

Mr. JONES. I think they were fully kept.

Senator REED. Who is the present secretary and custodian of these records?

Mr. JONES. Mr. Howe was secretary for a number of years. He is a brother-in-law—

Senator POMERENE (interposing). Give his full name, please.

Mr. JONES. Richard F. Howe, I think, was the secretary.

Senator REED. You say he was a brother-in-law of whom?

Mr. JONES. He was a brother-in-law of the Deerings.

Senator REED. Yes.

Mr. JONES. He was secretary for a good many years.

Senator REED. Is he the present secretary?

Mr. JONES. No, sir; Harold McCormick is the present secretary.

Senator REED. He resides in Chicago?

Mr. JONES. He does.

Senator REED. Where are the offices of the International Harvester Co.?

Mr. JONES. In the Harvester Building.

Senator REED. In Chicago?

Mr. JONES. Yes, sir.

Senator REED. And does the secretary keep his office and records there?

Mr. JONES. Yes; at least I so understand.

Senator REED. I suppose there is a considerable force of employees there?

Mr. JONES. Very large.

Senator REED. Are you familiar with the contracts that the harvester company made with agents for the sale of machinery, the output or product of this company?

Mr. JONES. I was not familiar with them in detail. I knew in a general way about them. I had nothing to do with the drafting of them, if that is what you mean. I never passed upon the terms or effect of them.

Senator REED. Not from a lawyer's standpoint. What I am trying to get at is, you are an active member of the board; and did you undertake to become familiar with the business that you had to transact?

Mr. JONES. Not in its details; not as an executive officer of the company would be expected to do.

Senator REED. Not in its minute details, but its general policies.

Mr. JONES. Yes; its general policies.

Senator REED. Now, you knew, did you not, that there was a form of contract which was entered into between the harvester company and various agencies that it used?

Mr. JONES. Yes; I did.

Senator REED. Have you seen that form of contract?

Mr. JONES. I have seen them. As I say, I had no occasion to examine them critically. I knew what the general policy was with regard to the sales, and I assumed that the contract carried out the general policy.

Senator REED. What I understand you to mean—and I want to be sure that I get you right—is that while you did not undertake to minutely examine into the question of the contract between the harvester company and A, B, or C, the agent, or the absolute details, you did know the general form of the contract, the general character and nature of the contracts that the company made with its agents?

Mr. JONES. Yes; I think I can say that is true. Coming into the corporation as a going concern, I would not have quite the same familiarity with those things as if I had come into a new concern, and the things were formed right under my attention.

Senator REED. Yes.

Mr. JONES. The concern was a going concern when I went into it.

Senator REED. You received no compensation as a director at all?

Mr. JONES. I got the ordinary director's fee for actual attendance, \$20 for each meeting; that was absolutely all.

Senator REED. Not a very tempting consideration so far as money goes?

Mr. JONES. No, sir; and when I went to New York I got my actual traveling expenses and no more.

Senator REED. Yes. What were these plans with reference to employees—this participation plan? What was that, in a general way?

Mr. JONES. Well, the plan has been modified repeatedly. In a general way there was what would be called a profit-sharing scheme.

There was a bonus given to the employees of the company who had rendered notably good service, and they were permitted to purchase—the company had a fund of the stock—they were permitted to take a certain amount in cash and a certain amount in the stock of the company—which most of them did.

Senator NELSON. What kind of stock, common or preferred?

Mr. JONES. The common stock.

Senator NELSON. Not the preferred?

Mr. JONES. The stock that the company bought and distributed was common stock.

Senator NELSON. Excuse me, Senator Reed, for breaking in.

Senator REED. Certainly. Now, Mr. Jones, you say that after you came in no new plants or properties were acquired?

Mr. JONES. Well, I did not understand that to be the question. The company has purchased new plants. It has not purchased other concerns; no going concerns. I understood that to be your question.

Senator REED. When you say it has purchased new plants, just what do you mean?

Mr. JONES. It has purchased several plants in Europe. There was a plant in Canada when I became a member of the board; but it has been enlarged, and the company has built a very large number of warehouses and properties of that sort since I became a member of the board; in fact, at pretty nearly every meeting there was some property being acquired. When you asked me before, I thought you meant taking in other concerns.

Senator REED. I think my question was couched in that way.

Mr. JONES. Yes.

Senator REED. Now, you say you acquired plants in Canada. Do you mean that the company built new plants in Canada?

Mr. JONES. Built new plants.

Senator REED. It established new institutions?

Mr. JONES. Yes.

Senator REED. It did not buy out some that were in existence?

Mr. JONES. No, sir.

Senator REED. Now, what kind of plant was it that it built or established in Canada?

Mr. JONES. The large Canadian plant manufactures harvesters and mowers and also some of what is known as side lines, the new lines of business.

Senator REED. What are the side lines?

Mr. JONES. Such implements as manure spreaders and cream separators and implements of tillage. The original line was harvesters and mowers entirely.

Senator REED. This plant now that is built in Canada makes manure spreaders, does it?

Mr. JONES. I am not sure whether the Canadian plant makes manure spreaders or not. I do not think it does.

Senator REED. They did acquire the manure-spreader rights after you came in?

Mr. JONES. No, sir; they were manufacturing manure spreaders when I joined the company. That is my recollection.

Senator REED. Well, I am a little confused about that.



Mr. JONES. I was mentioning that merely as one of the so-called outside—

Senator REED (interposing). Side lines?

Mr. JONES. Side lines.

Senator REED. But now, coming to the plant in Canada, and just sticking to that for a moment, could you state pretty accurately what that plant is, and what it does, and how much it has invested in it, and so on?

Mr. JONES. I could not tell you how much is invested. It is intended to supply primarily the Canadian trade in reapers and mowers; they have a pretty heavy tariff there.

Senator REED. And also to manufacture these side lines?

Mr. JONES. Such side lines as are manufactured there. It was also contemplated originally that they should do so.

Senator REED. Do you know how much capital was invested in this plant?

Mr. JONES. Well, I could not tell you. Since I have been a member of the board of the company there have been spent there—well, I should say several hundred thousand dollars; I do not carry those details in my mind.

Senator REED. In Canada?

Mr. JONES. In Canada.

Senator REED. Where is the plant located?

Mr. JONES. At Hamilton.

Senator REED. Is there only one plant there?

Mr. JONES. Only one manufacturing plant. The company has warehouses, of course, in other portions of the Dominion.

Senator REED. Scattered all over the Dominion?

Mr. JONES. Yes.

Senator REED. Does this plant manufacture enough to supply the trade in Canada?

Mr. JONES. No, sir; it does not. It manufactures most of it, but not all of it.

Senator REED. It manufactures a majority of the farming implements used in Canada?

Mr. JONES. Yes, sir; it manufactures a considerable part.

Senator REED. Would you say the majority?

Mr. JONES. I should say the majority.

Senator REED. Now, the parent company, that is the company in Chicago, also ships into Canada largely also, does it?

Mr. JONES. Yes, sir; what is required over and above the manufacture of the Canadian plant.

Senator REED. Taking in connection the output of the Canadian plant and the output of the harvester company in this country, what proportion of the consumption of farming implements in Canada are supplied by the institution as a whole?

Mr. JONES. By the Canadian institution, or—

Senator REED. (interposing). By both. What proportion of the entire consumption in Canada was supplied by the International Harvester Co., either through its plants in Canada or through its plants in the United States?

Mr. JONES. I could not tell you the exact proportion; but as you know the Massey & Harris Co., which is a Canadian corporation,



has a very large trade, a larger trade in Canada than the International Harvester Co., as I understand it.

Senator NELSON. Let me ask you this question, to clear it up: Under what name are you operating in Canada?

Mr. JONES. The International Harvester Co. of Canada.

Senator NELSON. You have no other name?

Mr. JONES. I spoke of the Massey & Harris Co.; that is a Canadian concern.

Senator NELSON. Oh, yes.

Senator REED. I understood you to say a moment ago—and if I am not correct, please put me right—that the International Harvester Co., through its Canadian plant, sold the majority of the agricultural implements in Canada?

Mr. JONES. Oh, no, sir; I meant the majority of those that are sold by it.

Senator REED. By it, yes; in the lines its covers.

Mr. JONES. Exactly.

Senator REED. And in the lines it covers, through its Canadian plant, with the addition of the machinery which is sent from this country by the International Harvester Co.; in those lines what proportion of the trade do you cover in Canada?

Mr. JONES. I can not answer that question. There are several vigorous competitors over there. My recollection is that the Massey-Harris Co. has the larger part of the Canadian trade.

Senator REED. That is taken altogether.

Mr. JONES. Taken altogether.

Senator REED. But now you have certain lines in which you have a larger trade than in others, have you not?

Mr. JONES. Yes, sir. The smaller implements, I have not very much of a guess how much of the smaller implements like cream separators, etc., are sold over there. I know more about the harvesters.

Senator NELSON. I suggest that you refer to the harvesters and mowers, Senator Reed.

Senator REED. Yes; let us get at it in another way. You speak of certain lines in which you have a larger trade. What were those lines—harvesters and mowers?

Mr. JONES. Harvesters and mowers.

Senator REED. What else?

Mr. JONES. Harvesters and mowers would be the larger element.

Senator REED. How about plows?

Mr. JONES. The International Harvester Co. does not carry plows; it does not deal in plows; it is not a plow-manufacturing company.

Senator REED. Well, in harvesters and mowers, which were the original line of activity, the principal lines of activity of the harvester company, you make those in Canada?

Mr. JONES. Yes, sir.

Senator REED. What proportion of the harvesters and mowers used in Canada are supplied from your Canadian plant, or from your United States plant?

Mr. JONES. That is, what proportion of the total Canadian consumption?

Senator REED. Yes.

Mr. JONES. I could not answer that question. I do not really know.

Senator REED. It is a majority, is it not?

Mr. JONES. I should say not; but that may be correct. The Massey-Harris Co. is a very powerful company.

Senator REED. What were the lines in which you meant to say, awhile ago, that you did supply a majority of the implements in Canada?

Mr. JONES. My statement was, or my understanding is, that the majority of the implements which the International Harvester Co. sells are made in Canada.

Senator REED. Oh.

Mr. JONES. But it is not a majority of the Canadian trade.

Senator REED. Then I misunderstood you.

(Thereupon, at 11.10 o'clock a. m., the committee took a recess, to reassemble in the room of the Committee on the Philippines at 11.30 o'clock a. m., at which time the following proceedings were held:)

Senator HITCHCOCK. Senator Reed, will you proceed with your questions?

Senator REED. You can not give us any accurate statement in regard to the output of the Canadian factory?

Mr. JONES. I can not. I have not—

Senator REED (interposing). You can not give us any accurate statement in regard to the shipments from the United States by the International Harvester Co.?

Mr. JONES. I can not give you the proportions of the total shipments made by the International Harvester Co. that come from the States. I have not followed that at all.

Senator REED. Would you have any difficulty in getting that for us?

Mr. JONES. Not the slightest?

Senator REED. By wire?

Mr. JONES. I do not think there would be the slightest difficulty about getting it.

Senator REED. Your company has a plant for manufacturing purposes at what point in Canada?

Mr. JONES. Hamilton.

Senator REED. And you spoke of warehouses; do you know at what points they have warehouses?

Mr. JONES. There are a large number, Senator. There are warehouses in the larger centers of Canada and the United States.

Senator REED. Well, I was speaking about Canada only.

Mr. JONES. Well, in Canada there are warehouses scattered over all places like Winnipeg and the larger shipping centers—the company has warehouses at those centers.

Senator REED. Do you know the aggregate or approximately the aggregate of your sales in Canada—say the last year?

Mr. JONES. I can not give you that.

Senator REED. Do you know the aggregate amount of money that you have invested in Canada, in plants, in warehouses, and in the Canadian business?

Mr. JONES. I can not give you that from recollection. As I say, most of the investments were made there before I became a member

of the board, and I have only picked up such information in connection with questions that would arise from time to time before the board. I can not give you that.

Senator REED. You spoke of having European plants. How many European manufacturing plants have you?

Mr. JONES. There is a plant at Norkopping in Sweden. There is a plant in Russia.

Senator NELSON. At Odessa?

Mr. JONES. No; there is a warehouse at Odessa, but not a manufacturing plant. The manufacturing plant is at—well, I will remember the name in a minute. It is a Russian name. There is a manufacturing plant in France. Those manufacture the parts of the harvesters; those are harvester manufactories primarily.

Senator REED. Mowing machines, too?

Mr. JONES. Mowing machines and harvesters.

Senator REED. Are there any other European plants than those three?

Mr. JONES. No, sir; there is no other European plant that is actually going.

Senator REED. Well, have you some—

Mr. JONES (interposing). Property has been acquired in Hungary, but the plant is not completed; it is only in process.

Senator REED. They are building it now?

Mr. JONES. Well, the plant has been acquired, and the tracks are laid; the actual building has not been begun, but the property has been acquired.

Senator REED. Did you buy the factory out there, or did you build one?

Mr. JONES. The European factories have been built mostly de novo. In the case of the Russian plant, the buildings were in existence for an entirely different line of business, and the property was bought and transformed into an entirely different factory. There was no harvester or mower business purchased in Europe.

Senator REED. Have you established any plants in Asia?

Mr. JONES. None.

Senator REED. Or in Japan?

Mr. JONES. None at all in the Orient.

Senator CRAWFORD. Any in South America?

Mr. JONES. No; no plants in South America; no manufacturing plants.

Senator REED. Can you tell me where the Russian plant is—

Mr. JONES. Norkopping is the—

Senator NELSON (interposing). Norkopping is in Sweden.

Mr. JONES. That is in Sweden; yes. I am trying to think out that Russian name.

Senator REED. Well, you may get it later, perhaps; it is not material. When were the steps taken to acquire this plant in Hungary?

Mr. JONES. About a year and a half ago.

Senator REED. You knew all about that?

Mr. JONES. I did.

Senator REED. And sanctioned it?

Mr. JONES. I did.

Senator NELSON. Had these plants in Russia and France and Sweden been started before you became a member of the board?

Mr. JONES. They had all been started but had not been finished; that is, we made appropriations to them from time to time; but my recollection is that the initiation of the enterprises were all under way before I became a member of the board, excepting the one in Russia.

Senator REED. Let us take the plant in France; when was that initiated?

Mr. JONES. I could not give you the date.

Senator REED. How much has been done on that in the way of enlarging it, or enlarging its sphere of activity, since you became a member?

Mr. JONES. Not so much as Norkopping and the Russian plants.

Senator REED. Now, of course, it is perhaps a little indefinite and hard to get it definite—

Mr. JONES (interposing). Do you mean how much money we have appropriated? I do not remember.

Senator REED. Let us take the Russian plant. When was the acquisition of that?

Mr. JONES. I can not tell you the date of the inception of that, either.

Senator REED. What has been done with that since you became a member of the board in 1909?

Mr. JONES. We have made several appropriations providing for certain plant extensions and providing for machinery, equipment, etc.

Senator REED. Extending the plant?

Mr. JONES. Extending the plant and extending the equipment of the plant that was there.

Senator REED. What has been the extent of that?

Mr. JONES. In money?

Senator REED. Yes; what would you approximate?

Mr. JONES. I do not think I could tell you that.

Senator NELSON. May I ask a question there, Senator Reed, to clear the matter up?

Senator REED. Certainly.

Senator NELSON. When you start in foreign countries, do you incorporate in those countries, or how do you get the right to do business there?

Mr. JONES. It depends on the country, Senator. There must be an ownership in all the countries; that is, either a corporation organized under the laws of those countries, or what we call ordinarily a partnership. For instance, in Hungary corporations are not allowed to operate at all. There there are certain trustees. They have a peculiar form of organization there that is substantially our form of copartnership; that is, the property has to be held in the name of individuals as trustees, but no corporation can be organized.

Senator NELSON. But in France and Sweden and Russia they are corporations?

Mr. JONES. Corporations.

Senator NELSON. You incorporate under the laws of those countries?

Mr. JONES. Yes.



Senator NELSON. But you hold a majority of the stock?

Mr. JONES. We hold all of the stock.

Senator NELSON. But you have to get some of the citizens of those countries to act as officials?

Mr. JONES. Yes, sir.

Senator NELSON. And to hold some stock?

Mr. JONES. That is, qualifying shares; yes, sir; but the substantial holdings are in the International Harvester Co.

Senator REED. In other words, in all of these places—and when I say all of these places I mean all of these European places where you have established yourselves—the harvester company is in control of the business and owns substantially all of it?

Mr. JONES. Yes, sir.

Senator REED. Does your company own it, or the individual members of the company?

Mr. JONES. The company holds—do you mean—

Senator REED (interposing). The International Harvester Co.

Mr. JONES. The International Harvester Co.; yes, sir.

Senator REED. Holds the interest?

Mr. JONES. That is, you understand that in 1912 the foreign business was put in a separate corporation?

Senator REED. Yes.

Mr. JONES. The International Harvester Co., which was the original organization. Before the suit was begun, with the concurrence of the legal department, the foreign plants, and foreign business, and the so-called outside lines, there was a corporation organized under the name of the International Harvester Corporation.

Senator REED. With the concurrence of what legal department?

Mr. JONES. Of the law department of the Government.

Senator REED. Of the United States Attorney General's Office?

Mr. JONES. Yes, sir.

Senator REED. You organized a separate corporation to run the European business?

Mr. JONES. Yes, sir; to take over the European business.

Senator REED. To take over the European business.

Senator NELSON. May I ask a question? You have two domestic corporations, have you not—the New Jersey corporation, and then a corporation succeeding the Milwaukee corporation?

Mr. JONES. Well, that was the International Harvester Co. of America. That was the selling agency.

Senator NELSON. That was the Milwaukee company?

Mr. JONES. Yes, sir.

Senator NELSON. That is the selling agency of the International Co. of New Jersey?

Mr. JONES. Yes, sir.

Senator NELSON. The one manufactures and then turns it over to the other to sell?

Mr. JONES. Yes, sir.

Senator NELSON. But they are all controlled by the same interest?

Mr. JONES. They are.

Senator REED. When you organized this European company—what is the name of it—the one to take over the European business?

Mr. JONES. The International Harvester Corporation.



Senator REED. The International Harvester Corporation, and not "company"?

Mr. JONES. Yes, sir.

Senator REED. Now, who constitutes the International Harvester Corporation? Who holds that stock?

Mr. JONES. The stock originally of the International Harvester Co. was reduced by substantially one-half at the time of the organization of the International Harvester Corporation and stock of the International Harvester Corporation was issued for the amount so reduced.

Senator REED. And put in the hands of these same voting trustees?

Mr. JONES. No, sir; that was after the voting trust had expired.

Senator REED. Then, in whose hands was it put? Who actually came in possession of that stock upon the incorporation?

Mr. JONES. Those who surrendered the stock, by the amount by which it was reduced by the original International Harvester Co., received stock of the International Harvester Corporation.

Senator REED. Well, who are those people, the principal ones that surrendered this stock and took the stock of the International Harvester Corporation?

Mr. JONES. Who are the individuals?

Senator REED. Yes; the principal ones?

Mr. JONES. Well, the McCormick family and the Deering family together.

Senator REED. And Perkins and the Morgan interests?

Mr. JONES. And Perkins and the Morgan interests have some stock, as I understand. I am not familiar with the details of the stock holding.

Senator REED. Well, just to get at it so that we can get it all in a nutshell—I take it there is really no dispute about the facts?

Mr. JONES. None whatever.

Senator REED. This stock, the great majority of it, was owned by the International Harvester Co., by the Morgan interests, represented by Mr. Perkins; by the McCormick interests and by the Deerings; that is the situation, is it not?

Mr. JONES. If you state it in the reverse order I can say yes; it was owned largely by the McCormicks and the Deerings, and the Morgan interests held a certain amount of stock.

Senator REED. Those three interests had a majority of the stock in that company?

Mr. JONES. That is my understanding.

Senator REED. Yes. Now, subsequently you organized a sales company known as the International what?

Mr. JONES. You are referring now to the International Corporation?

Senator REED. No; the sales company.

Mr. JONES. That is the International Harvester Co. of America. That was not subsequently organized; that was one of the original companies.

Senator REED. One of the original companies?

Mr. JONES. Yes, sir.

Senator REED. Now, these same three interests control a majority of that, do they not?

Mr. JONES. My understanding is that the stock of the International Harvester Co. of America is owned by the International Harvester Co.

Senator REED. Owned by the parent company?

Mr. JONES. Yes, sir; controlled by them.

Senator REED. When you organized the International Harvester Corporation to take over the European business, did these same three interests continue to control the majority of the stock in that?

Mr. JONES. The stock of the International Harvester Corporation was, as I said, issued to those whose stock had been reduced in the amount which it had been reduced in the International Harvester Co.

Senator REED. You told us a moment ago that the International Harvester Corporation stock——

Mr. JONES. Yes.

Senator REED (continuing). Was given in lieu of International Harvester Co. stock and to the people who surrendered International Harvester Co. stock?

Mr. JONES. Yes.

Senator REED. Now, what I am coming to is this: Did not that leave the control of the International Harvester Corporation to these same three interests?

Mr. JONES. Certainly.

Senator REED. The Morgan interests represented by Mr. Perkins and the Deerings and the McCormicks. That is correct?

Mr. JONES. That is correct.

Senator POMERENE. If I may clear up my thought, the stock of the International Harvester Corporation was not in fact then held by the American companies?

Mr. JONES. By the American companies?

Senator POMERENE. Yes.

Mr. JONES. No, sir; held by the stockholders.

Senator REED. Now, as a matter of fact, these three corporations in their practical operation, are all run under one general management and control, are they not?

Mr. JONES. Well, strictly that is not correct; substantially it is—that is, the same persons——

Senator REED (interposing). Manage all of them?

Mr. JONES. Yes; legally they are entirely separate entities.

Senator REED. I understand. But the controlling interest is the same in all three of them?

Mr. JONES. Yes.

Senator REED. Can you tell us how much the stock of the International Harvester Co. was reduced at the time you separated the European business from the American business?

Mr. JONES. My recollection is that it was reduced by \$30,000,000 of each kind of stock, \$30,000,000 of common and \$30,000,000 of preferred; \$60,000,000, divided substantially into half.

Senator REED. And for that \$60,000,000 of stock there was stock issued in the European ventures?

Mr. JONES. That is correct.

Senator REED. So that there is now \$60,000,000 invested—at least, so far as the face of the stock goes—in the European investments?

Mr. JONES. European and Canadian; outside of the United States.  
Senator REED. Oh, that takes in European and Canadian?

Mr. JONES. Yes, sir.

Senator REED. Now, the Canadian holdings also went into the International Harvester Corporation?

Mr. JONES. The corporation; yes.

Senator REED. Who are the officers of the International Harvester Corporation?

Mr. JONES. Mr. Cyrus H. McCormick is——

Senator REED (interposing). What is he?

Mr. JONES. He is the president.

Senator REED. Cyrus H. McCormick?

Mr. JONES. They have the same officers as the company.

Senator NELSON. Are you a director of that?

Mr. JONES. I am.

Senator REED. Cyrus H. McCormick is president of the International Harvester Co., and he is——

Mr. JONES. And also of the corporation.

Senator REED. I will get to that in a moment. And who is the vice president of the International Harvester Co.?

Mr. JONES. There are two vice presidents, James Deering and Harold McCormick.

Senator REED. Harold McCormick? And can you name the directors?

Mr. JONES. I can; give me a little time and I will name them all. They are Cyrus H. McCormick, Harold McCormick, James Deering, Charles Deering, Richard F. Howe, J. H. Jones—that is the other Jones.

Senator NELSON. Mr. Jones represents the Plano interests?

Mr. JONES. He is known as "Plano Jones." That is his common name. He is substantially the owner of the Plano plant.

Senator NELSON. The Plano plant; yes.

Mr. JONES. J. J. Glessner.

Senator NELSON. That is an Ohio company?

Mr. JONES. That used to be the Warder-Bushnell Co.

Senator NELSON. Yes.

Mr. JONES. And Mr. Perkins.

Senator NELSON. He was not manufacturing any machines before he went into this business; he was not manufacturing any harvesters?

Mr. JONES. I believe not.

Senator POMERENE. Perhaps it was political machines. [Laughter.]

Mr. JONES. Mr. Thomas Lamont, John G. Wilson, Edgar A. Bancroft, John A. Chapman, E. H. Gary. The resident director in New Jersey was elected to succeed a gentleman who died, and just for the moment his name escapes me. I have not yet mentioned myself as a director.

Senator REED. Are these same gentlemen you have named the officers and directors of the International Harvester Corporation?

Mr. JONES. Yes, sir.

Senator REED. They hold the same relative positions in the International Harvester Co. of America—the sales company?

Mr. JONES. No, sir; that is not correct. I am not a director of that company, and I must say that I can not offhand give you the officers of it.

Senator REED. Anyway, the stock of that company—that is, the International Harvester Co. of America—is all owned by the International Harvester Co.?

Mr. JONES. Yes, sir.

Senator REED. So that the control of the International Harvester Co. of America by the officers of the International Harvester Co. means the control of the International Harvester Co. of America, because the stock is held by the International Harvester Co.?

Mr. JONES. Directly or indirectly that is true.

Senator REED. That is true.

Senator NELSON. Are you a director in what you call the sales company—the Milwaukee company?

Mr. JONES. No, sir; I am not.

Senator NELSON. You are only a director in the New Jersey company and the foreign company—those two?

Mr. JONES. That is all. You speak of the foreign company. That includes Canada; outside lines—the corporation and the company.

Senator NELSON. That is what I meant.

Senator REED. Now, this taking over of the European business by the new company which you have formed, called the International Harvester Corporation, occurred after you became a director?

Mr. JONES. Yes, sir.

Senator REED. And also the building of the plant in Hungary?

Mr. JONES. The acquiring of the properties in Hungary.

Senator REED. The acquiring of the properties in Hungary occurred after you became a director?

Mr. JONES. It did.

Senator REED. And in those two enterprises that I have just discussed you were consulted and you were a party to it?

Mr. JONES. I was.

Senator REED. Have you got any such investment as \$60,000,000 in these European plants?

Mr. JONES. Yes, sir; in the business that is controlled by the International Harvester Corporation there is an investment of \$60,000,000.

Senator REED. An actual investment of \$60,000,000?

Mr. JONES. That is, I get that on the authority of the auditors and accountants; I have not myself examined into it.

Senator REED. Is any part of that good will, or is it actual investment?

Mr. JONES. No, sir; actual investment. There is no good will represented in the balance sheets of the International Harvester Co. or the corporation at all.

Senator REED. What was the purpose of organizing—or rather, I mean of establishing these plants in Europe?

Mr. JONES. The purpose was this, Senator: The International Harvester Co. was about to have suit brought against it, and negotiations had been going on between the Department of Justice and the International Harvester Co., and it was evident that the question of the legality of the International Harvester Co. would have to be tested; and there were certain lines concerning which the Government made



no charges whatever, and after investigating all the circumstances connected with them they agreed that any bill that was to be filed ought not to reach enterprises that were in no way in controversy. That applied to all of the foreign business, which was highly competitive; and to all of the so-called outside lines—Canadian business, which is strictly and highly competitive; and those properties were segregated from the reaper and harvester business, which was a storm center.

Senator REED. You say the European business was highly competitive, and therefore was left out. Am I to understand from that that the business in this country—the United States—was not highly competitive?

Mr. JONES. Well, Senator, you know that just about as well as I do, I think. There is a very vigorous competition going on, growing daily.

Senator REED. I do not understand why you drew that distinction, then.

Mr. JONES. Well, it was claimed by the Government that a practical monopoly had been established by the organization of the International Harvester Co. It was not claimed that any semblance of monopoly had been established anywhere or any restraint of trade of any kind accomplished by the establishment of foreign plants or any Canadian plants, but that they were all to the good, and that it would be a misfortune from their point of view to allow proceedings that were intended to reach only these lines, which were claimed to be monopolistic, to interfere with business that was not in any way claimed to be monopolistic or in restraint of trade.

Senator REED. Those negotiations were carried on with the Department of Justice. Do you remember who represented your company in those negotiations?

Mr. JONES. I know that in part the general counsel of the company, Mr. Edgar A. Bancroft and Mr. Tom P. Wilson, the special counsel of the company, had repeated conferences in the matter.

Senator REED. Did Mr. Perkins have anything to do with it?

Mr. JONES. I do not think he had anything to do with it.

Senator REED. Who was the Attorney General with whom these negotiations were had?

Mr. JONES. Mr. Wickersham.

Senator REED. Mr. Wickersham?

Mr. JONES. It was all carried out with him under the previous administration.

Senator REED. Do I understand that Mr. Wickersham, before bringing his suit against the harvester company had negotiations with the officers of the company with reference to what was to be the scope of that suit, and that time was allowed the harvester company to set its house in order and segregate its European business from its American business?

Mr. JONES. No, sir; I would not state it in just that way.

Senator REED. Just how would you state it?

Mr. JONES. Certain proposals were made by the International Harvester Co. to meet the objections of the Government growing out of the organization of the International Harvester Co. which did not meet the views of the administration, and when it became



evident that the company and the Government could not agree on a program that would meet the views of the Government the status of the foreign business of the company was explained to the Attorney General and his assistants; and the status of the Canadian business and the so-called outside business, concerning which there was no controversy; and the proposal to delimit, as it were, the controversy and to confine it to the lines of business that were claimed to be monopolistic was explained. And I want to say that Mr. Wickersham, the Attorney General, did not assume to bind the Government by any agreement, but the proposal, or what the company proposed to do, was explained to the Attorney General and his assistants and it was carried out with their full knowledge of what was being done, and when the bill came to be filed it was filed against the International Harvester Co.

Senator REED. Were you familiar with the negotiations while they were being carried on?

Mr. JONES. In a general way; I had nothing to do with them.

Senator REED. I understand; but they were laid before the board of directors from time to time, and you knew of them?

Mr. JONES. I did.

Senator REED. You knew of the contention which the Government was making, that the International Harvester Co. and its allied corporations constituted a combination in restraint of trade in this country?

Mr. JONES. I did.

Senator REED. And you took part in the segregation of the European business from the American business?

Mr. JONES. I did, sir.

Senator REED. Thus to that extent eliminating that company from any attack which might be made by this Government?

Mr. JONES. I did.

Senator REED. And you knew that the Government contended that this was a combination in restraint of trade?

Mr. JONES. That the International Harvester Co. was; yes, sir.

Senator REED. Yes. And it contended that even after the segregation of the European business?

Mr. JONES. Yes, sir; but not as to the European business.

Senator REED. No; not as to the European business; but it contended that the business here in the United States was still a combination in restraint of trade and a monopoly?

Mr. JONES. Yes, sir.

Senator REED. Now, Mr. Jones, what did you do, if anything, toward endeavoring to secure a dissolution of this monopoly here in the United States which the Attorney General was charging and complaining was a monopoly?

Mr. JONES. Well, I can not claim, Senator, that I advanced any specific proposal for the segregation. Various suggestions were made to the Attorney General in an attempt to meet his views as to what ought to be done.

Senator REED. Well, did he state what his views were? Did you understand what the Attorney General's views were?

Mr. JONES. No, sir. I had no personal interview with the Attorney General.

Senator REED. Well, I mean you got it from your representatives and attorneys and agents who came and laid it before the board of directors?

Mr. JONES. Yes, sir.

Senator REED. You then knew in a general way what the Attorney General's views were?

Mr. JONES. I knew in a general way that the Attorney General insisted that the corporation would have to be split up, and the question was to what extent it would have to be split up.

Senator REED. Did you ever make any motion to the board of directors to split it up and make it conform to the requirements of the Attorney General?

Mr. JONES. I did not.

Senator REED. Did you ever vote for such a proposition?

Mr. JONES. Such a proposition never came to a vote.

Senator REED. Such a proposition never came to a vote?

Mr. JONES. No, sir.

Senator NELSON. Was not a proposal made by the Department of Justice, under this administration, for you to break it up into different parts?

Mr. JONES. Under the present administration?

Senator NELSON. Yes, sir.

Mr. JONES. So far as I have ever heard, no such proposal was ever made. The suit was a pending suit when this administration came in.

Senator NELSON. No; but was not a proposal made, either by the International Harvester Co. of New Jersey or by the Department of Justice, or both combined, to break up this combination into some of its constituent elements?

Mr. JONES. I never heard of such a proposal made to or by the present administration; and so far as my information goes, no negotiations have been had at all with the present administration along those lines.

Senator NELSON. Were there such negotiations with the former administration?

Mr. JONES. Those are the negotiations I have just been telling about—with the former administration.

Senator NELSON. What did it strand upon, the refusal of the corporation to accede to the request of the Attorney General?

Mr. JONES. Well, I do not remember that there was any specific proposal which was turned down; but the negotiations were protracted for a considerable time, and it was evident that the administration would insist upon a more drastic separation than the authorities of the International Harvester Co. believed to be just.

Senator NELSON. Excuse me, Senator Reed, for interrupting you.

Senator REED. Certainly. Well, coming to that, the point I am trying to arrive at is this: The Attorney General made certain requirements or demands which were laid before your company?

Mr. JONES. In an informal way.

Senator REED. Yes; through your attorneys or representatives?

Mr. JONES. Yes.

Senator REED. And those requirements or demands of the Attorney General were rejected by the company, and thereupon the suit was filed. That is the situation, is it?

Mr. JONES. That is substantially correct.

Senator REED. Yes. Can you tell us, Mr. Jones, of any effort that you made to bring about the dissolution of this corporation in such a way as to meet the requirements or requests or demands of the Attorney General?

Mr. JONES. I took no steps of my own, Senator, at all in the matter. The matter was in the hands of the counsel of the company, and they reported from time to time what they were doing and what their convictions were, and what their conclusions were; and I will say frankly that, so far as I had any judgment, I concurred in their judgment, and I assume responsibility for doing that.

Senator NELSON. Senator Reed, before you go on further, I would like to know the status of that suit.

Mr. JONES. That suit was submitted to the court last November in the Minnesota circuit.

Senator NELSON. Yes.

Mr. JONES. Before Judges Sanborn, Hook, and Adams.

Senator NELSON. Has a decision been rendered?

Mr. JONES. No, sir; it has not. It is still pending. They have the case under advisement.

Senator POMERENE. Submitted on its merits?

Mr. JONES. Submitted on its merits on final hearing.

Senator REED. Do you recall when the Missouri Supreme Court decided that the International Harvester Co. was a trust in restraint of trade?

Mr. JONES. I do.

Senator REED. What time was that?

Mr. JONES. The decision came out—the suit had been instituted before I became a director—the decision came out, I should say, about three years ago; that is, the first decision handed down. Then there were applications for rehearing. I am referring to the first decision.

Senator REED. The opinion was handed down three years ago, and then there were applications for rehearing; and an appeal was then taken to the Supreme Court of the United States, something like two years and a half ago, was it not?

Mr. JONES. Yes, sir.

Senator REED. So that two and a half years ago you knew of that decision of the Supreme Court of Missouri?

Mr. JONES. Yes.

Senator REED. And you knew that the International Harvester Co. was a combination in restraint of trade?

Mr. JONES. Yes, sir; under the laws of Missouri.

Senator REED. Yes; under the laws of Missouri. And the laws of Missouri are somewhat similar in their general aspect to what we call the Sherman antitrust law, are they not? The case involves substantially the same issues that are now involved in the case in Minnesota in the United States court?

Mr. JONES. Well, of course, they come under not the same issues, because the charges are under entirely different jurisdictions and statutes.

Senator REED. I understand. But what I am trying to get at is, you are a lawyer, and I understand you are a very fine one, and I have no doubt that you are.

Mr. JONES. I make no such claim at all, sir.

Senator REED. Well, I have been so told on very high authority. The Missouri trust statutes are, of course, in different phraseology from the statutes of the United States; but the Missouri trust statutes forbid combinations in restraint of trade, and in their general aspect reach the same things that are reached in the antitrust statutes of the United States. That is true, is it not?

Mr. JONES. They seek to accomplish the same results.

Senator REED. Yes; and in general, it is the same class of statute.

Mr. JONES. Yes, sir.

Senator REED. So that you did know some two and one-half years ago at least that the final judgment of the Supreme Court of the State of Missouri was to the effect that the International Harvester Co. was a trust and combination in restraint of trade?

Mr. JONES. I did; yes, sir.

Senator REED. You had that light, and you also had the opinion of the Attorney General of the United States at the time that you acquiesced in the opinion of your lawyers which you just spoke of?

Mr. JONES. I did.

Senator REED. I want to go back and take up another topic. You stated that the International Harvester Co. had not in the United States acquired any new plants, except such as it had itself built, since your connection with it?

Mr. JONES. I did.

Senator REED. But you also stated that it had taken on some side lines, I believe?

Mr. JONES. Yes.

Senator REED. Can you tell us what they were?

Mr. JONES. I mentioned some of them a little while ago. They were manure spreaders and wagons.

Senator NELSON. Cream separators?

Mr. JONES. Yes; cream separators.

Senator REED. Binding twine?

Mr. JONES. Binding twine; yes, sir. That is quite an extensive industry. There are certain small implements of tillage that I am not familiar with.

Senator NELSON. Corn planters?

Mr. JONES. I am not sure.

Senator NELSON. Corn cultivators?

Mr. JONES. I think they have a line of corn planters. I do not have the familiarity that an executive officer would have with the details of the business; but I think they have some of those smaller tillage implements. They do not handle plows I know.

Senator REED. Mr. Jones, the manure spreader is rather a recent invention, is it not, as a successful one? I mean within the last few years?

Mr. JONES. Within the last 12 or 15 years, I should say.

Senator REED. You acquired the patents on that, did you not?

Mr. JONES. I presume we did, but I do not know the facts.

Senator REED. Was there not a plant at Waterloo, Iowa, making manure spreaders, and did you not acquire that plant?

Mr. JONES. Well, now, that I have no knowledge of. It is possible that we did.



Senator REED. You say you did take them on; do you know how you took them on?

Mr. JONES. I am not sure about that. What I had in mind, Senator, if you will let me explain—

Senator REED (interposing). Certainly; I want you to be just as plain as you can.

Mr. JONES. What I had in mind was, I was speaking of the Canadian plant, which is manufacturing lines of goods which are held to be competitive—that is, comparatively competitive. What I had in mind was that since I have become a member of the board no such plants or businesses had been acquired by the company as were charged by the Government to be monopolistic in their tendency, or tending to restrict trade.

Senator REED. Yes.

Mr. JONES. For instance, the wagon business. The company acquired the Weber Wagon Co.'s works. They had been acquired, I think, a year or two before I became a director. They manufacture wagons.

Senator NELSON. Did you not acquire the Osborne Co.?

Mr. JONES. The Osborne Co. was acquired a long time before that, Senator.

Senator REED. Coming back to the other question: I understand you now to say that what you meant a little while ago by your answer—and I do not think you are at all in conflict with it—was that when you said that no new plant had been acquired you meant plants that were in competition with the business the Harvester Co. then did?

Mr. JONES. Exactly.

Senator REED. But you did not mean to say it had not acquired plants which manufactured certain articles of farming machinery which up to that time you had not engaged in extensively?

Mr. JONES. Exactly.

Senator REED. And one of these is the manure spreader, as you recall?

Mr. JONES. I am not sure of that. I know the company acquired the Weber Wagon Works, but I am not sure what the origin of the manure spreader was.

Senator REED. When you acquired the Weber Wagon Works you were not acquiring a competitive plant, because you did not handle wagons?

Mr. JONES. Yes, sir; that is true.

Senator REED. But when you did acquire the Weber Wagon Works you began to handle wagons?

Mr. JONES. Yes, sir.

Senator REED. And you think the Weber Wagon Co. was acquired before you became a director?

Mr. JONES. My recollection is that it was. I know I went there shortly after I became a member of the board.

Senator REED. Where are that company's works located?

Mr. JONES. Outside of Chicago, about 10 miles.

Senator NELSON. They make buggies also?

Mr. JONES. No, sir; they make a truck. It was known as the Weber Wagon Works, and I do not think that they make buggies,

although I am not sure. I have gone through the plant, but I do not know. I am not sure about that. I saw nothing when I went through the plant except the wagon works proper. It may have been changed since then.

Senator NELSON. When did you take up the business of cream separators?

Mr. JONES. That was a considerable time before I had anything to do with the company. They are made at the Milwaukee plant.

Senator NELSON. Yes. What name do you give your cream separators that you put on the market?

Mr. JONES. It is used as the International.

Senator NELSON. The Laval?

Mr. JONES. No; the Laval is another cream separator. This was called the "International"; but whether it retains the original name I am not sure.

Senator REED. Well, you must be selling under a different name, because I have not seen a cream separator labeled "International Harvester Company."

Mr. JONES. Well, all of the implements turned out by the International Harvester Co. have the name of the company somewhere on them.

Senator NELSON. Yes.

Mr. JONES. For instance, the Weber wagon is still known as the Weber wagon, but it bears the name of the International Harvester Co. on it.

(Thereupon, at 12.20 o'clock p. m., the committee took a recess until 1.30 o'clock p. m.)

#### AFTER RECESS.

The committee reassembled at the expiration of the recess.

Senator LEE. Mr. Chairman, there is some little difference of opinion about the nature of this proceeding. I am a new Member of the Senate, and I told Senator Shafroth that I looked upon these proceedings as part of the executive business of the Senate, and thought they were clearly confidential. He seemed to think that that was the proper view to take of it. I spoke to Senator Reed about it afterwards, and he did not understand it that way. I understood you to say so, Senator Shafroth?

Senator SHAFROTH. That is an executive session.

Senator LEE. It seems to me we ought to clear that up. There is nothing in the rules about this being confidential. It is only an inference from the fact that the proceedings of the Senate on executive nominations are confidential; and this is theoretically a part of the proceedings of the Senate. I thought I would like to ask the chairman to lay that matter before the committee.

Senator REED. I do not understand how you got that impression about what I said, Senator Lee.

Senator LEE. I thought you did.

Senator REED. You asked me some question about it a while ago. I did not mean to say that these hearings were public.

Senator LEE. They are certainly not confidential, as far as other Members of the Senate are concerned.

Senator REED. I say I did not mean to say that they were public. I do not know how you got that impression.

Senator HITCHCOCK. Here is what I told the newspaper men: The meeting was not an open meeting, but after its conclusion I would give them a statement as to what the committee had done, and I did that the other day.

Senator SHAFROTH. I think it is all right to state what conclusion the committee has come to.

Senator LEE. Yes.

Senator SHAFROTH. But it does seem to me that this is part of the executive business of the Senate.

Senator HITCHCOCK. It is better, I think, to have the chairman, or some designated Member, make a statement to the newspaper men.

Senator REED. Well, they are liable to make all sorts of wild statements. One newspaper man came to me and asked a question, assuming that certain things had transpired here in the committee that had not transpired at all, and I said, "There is nothing of that kind that has taken place," and passed on.

Senator LEE. There is another question analogous to this which is being discussed on the floor of the Senate. Senator Borah is now making a motion to make public all the discussion and evidence relative to the pending Nicaragua treaty, and Senator Williams says that the statements of the witnesses were made on the confidential basis; and there you have it.

Senator HITCHCOCK. In that case, Senator Borah has avoided attending meetings of the Senate Committee on Foreign Affairs, and he proposes to bring up his matter of his own knowledge. There he is standing for a principle, the public discussion of the question. In this case, when the reporters came to me, I said that Mr. Jones had been meeting the committee and had been explaining to the committee his relation with certain business enterprises, and that his remarks this morning were confined to the harvester company. This is news so far, but as to the details of it, I think that is a matter for the committee only.

Senator LEE. I do not suppose it makes the slightest difference to Mr. Jones whether it is public or not, but I think from the standpoint of the Senate it is better to have it confidential.

Senator REED. My opinion about this is that the best thing to do, absolutely, for all concerned, Mr. Jones, the President, this committee, and the Senate, is to give absolutely what takes place here, which is the truth, and not have a lot of newspaper fellows guessing at wild things. There has been nothing which has taken place here this morning that Mr. Jones is not willing to stand for before the world and that we are not willing to stand for before the world; and everything has been pleasant and proper, and I always find that it is a good deal better to just let them know—

Senator SHAFROTH (interposing). Well, after it is through, we can then determine as to whether or not it should be made public.

Senator LEE. I would not feel at liberty to give it out.

Senator CRAWFORD. Primarily, the notes taken here are for our service and use, and when we get through with them they are for the use of the Senate.

Senator NELSON. We can have this record printed for use in the executive session.

Senator CRAWFORD. Certainly; and that is primarily where they belong, rather than to the public, unless there is some reason why they should be given publicity.

Senator SHAFROTH. If the Senate were to remove the secrecy of the session or the proceedings or the minutes, that would be all right. That is often done, or sometimes done.

Senator REED. My experience with these newspaper people is that when you have got a perfectly clean bill of health it is better to tell them all about it—absolutely the facts—and not let them draw a lot of inferences. I do not care, as far as I am concerned; I am telling you what I honestly think. If you take the Committee on Foreign Relations, Senator Lee, you have an entirely different proposition. They are dealing there with questions of the utmost delicacy, involving the relations between our country and another country. It may be very necessary that some third country should not know what our dealings are. But this is a different proposition, and, as far as I am concerned, I do not care; but I think you are right to have an expression from the committee, Mr. Chairman.

Senator HITCHCOCK. Yes; we will take that up at the close of the hearing.

#### ADDITIONAL STATEMENT OF MR. THOMAS D. JONES, OF CHICAGO, ILL.

Mr. JONES. May I make an additional explanation in the matter of the relation with the previous Attorney General? I am not sure I made it entirely clear; and I want, in justice to Attorney General Wickersham, to say that these matters, of transacting foreign business, and the outside lines, through the International Harvester Corporation, were fully explained to him; but they did not undertake to O. K. the transaction. That is, the company understood that they reserved any right which the United States might have at any future time. If I gave the impression in my previous testimony that there was any O. K. of the transaction, I would like to have that corrected.

Senator REED. I do not think you did.

Mr. JONES. I do not think I did. But I want to make it sure, in justice to Mr. Wickersham, that he did not assume to pass upon that, but saw no particular objection to the transaction. But still it was especially understood that the right of the Government was reserved to bring any future action that they might see fit to bring.

Senator CRAWFORD. In effect, it was simply segregating and putting over in a class by itself that business?

Mr. JONES. Absolutely, that is all there was to it; but he did not assume to pass upon, as being permissible, or did not assume to permit anything of that sort.

Senator REED. Mr. Jones, before adjournment, we were discussing the question of the acquisition by the company of various subsidiary farming implements. Now, you had spoken of the manure spreaders and the wagons, and the—

Senator NELSON. Cream separators.

Senator REED. The cream separators, and the binding twine, and cultivators.

Mr. JONES. Well, there is a corn shredder.



Senator REED. There is a corn shredder—in a general way, and in order to abbreviate this—because I do not believe any one of us care much for the minutia of it—the company, if I understand you correctly, has been since your connection with it, from time to time, acquiring additional farming implements or instruments that are used in connection with the farm, and that has been a part of its general policy?

Mr. JONES. Yes. I think very few of them have actually been acquired; some of them have been extended since I became a member. I think the Weber Wagon Co. had been acquired before that.

Senator REED. I think you are correct in saying that the Weber Wagon Co. had been acquired before you became a member; I gathered from the petition that it was acquired before that.

Mr. JONES. Yes.

Senator REED. But it has been the policy of the company to gradually reach out and when it saw an instrument that was used on the farm that it was convinced was a good thing, it added it to the business of the company, if it could do it upon terms which it thought were advisable.

Mr. JONES. I think that is a fair general statement.

Senator REED. So that as a result of this policy, at this time the company has become engaged in the production, in addition to harvesters and reapers, of a very large number of those implements which the farmers use?

Mr. JONES. I should say a considerable number of them. Some of the most important farming implements the International Harvester Co. has never gone into. For instance, plows is a very large industry; thrashing machines is a very large industry which the International Harvester Co. has never gone into.

Senator REED. You do not make those?

Mr. JONES. No.

Senator REED. You do have agency contracts, do you not, by which the agent you employ, the agencies that you establish, participate to some extent in the profits of the company?

Mr. JONES. The machines are sold out and out to the agents and they sell the machines.

Senator REED. Yes; but you spoke of a participation arrangement with some of your employees?

Mr. JONES. That has nothing to do with the selling contract.

Senator REED. That has nothing to do with the selling contracts?

Mr. JONES. No, sir; that is merely an attempt to work out a scheme of profit-sharing indirectly.

Senator REED. Now, do these agencies that are established throughout the United States participate in any way in the profit sharing?

Mr. JONES. I do not believe they do, although I can not answer positively about that.

Senator REED. In these contracts that you make with agents—you have seen those contracts I believe you said?

Mr. JONES. I have, although I am not really familiar with the specific terms of them.

Senator REED. And I suppose that the contract itself would be the best evidence, and I think we can perhaps get them?

Mr. JONES. They are in the record.

Senator REED. I think so.

Senator NELSON. They are in that Missouri case also.

Mr. JONES. There is no secret about them.

Senator REED. Mr. Jones, what was the capital of the International Harvester Co. before the segregation of the European or foreign business?

Mr. JONES. \$120,000,000, \$60,000,000 of each kind; \$60,000,000 of common and \$60,000,000 of preferred stock.

Senator REED. What was it after the segregation?

Mr. JONES. The segregation merely accomplished a division of the existing stock. The stock was increased afterwards, but the \$60,000,000 of common stock was divided into \$30,000,000 common stock of the International Harvester Co. and \$30,000,000 of common stock of the International Harvester Corporation; and the \$60,000,000 of preferred stock was divided into \$30,000,000 of preferred stock of the International Harvester Co. and \$30,000,000 of preferred stock of the International Harvester Corporation.

Senator NELSON. You use the terms "company" and "corporation." Are they two distinct companies?

Senator REED. Yes. One is the American and one is the European company.

Senator NELSON. The European company is the "corporation"?

Mr. JONES. Yes; the corporation.

Senator NELSON. And the New Jersey company is the "company"?

Mr. JONES. The International Harvester Co. of New Jersey manufacture the domestic harvesters and mowers.

Senator CRAWFORD. But it has an identity of ownership all through?

Mr. JONES. Well it is the same, in the sense that the holders of the stock of the International Harvester Co. are largely the holders of the stock of the International Harvester Corporation; but not entirely the same, because there has been a considerable amount of this stock on the market and transferred. I do not suppose even the officers know to what extent there is an identity of holding.

Senator NELSON. Now, this sales company, the successor to the Milwaukee company, what is the technical name of that?

Mr. JONES. The International Harvester Co. of America.

Senator NELSON. The International Harvester Co. of America; and the manufacturing company is the International Harvester Co. of New Jersey?

Mr. JONES. The International Harvester Co. of New Jersey is the manufacturer of the harvesters and mowers.

Senator NELSON. That is the parent company, is it not?

Mr. JONES. That is the original International Harvester Co.

Senator NELSON. And it is under that head that the others move; that is the main planet, and the other two companies move under that planet?

Mr. JONES. Do you mean the International Harvester Corporation?

Senator NELSON. The Milwaukee company, as I call it, is the sales company of the New Jersey company?

Mr. JONES. That is correct. I thought you included the International Harvester Corporation as under the control of the International Harvester Co. The International Harvester Co. has no control of the International Harvester Corporation.

Senator REED. Just to get that in one place in the record, is the International Harvester Co. of New Jersey a corporation organized with \$120,000,000 of stock, which was afterwards increased to \$140,000,000?

Mr. JONES. Yes, sir.

Senator REED. That is one company. There is the International Harvester Corporation, which was organized to take over the European and Canadian business?

Mr. JONES. Yes, sir.

Senator REED. And it is capitalized at \$60,000,000?

Mr. JONES. Yes, sir.

Senator REED. There is in addition to that the International Harvester Co. of America, which is what you have commonly denominated the sales company?

Mr. JONES. That is correct.

Senator REED. Those three companies now constitute what would generally be called the International Harvester Co. and its subsidiary companies?

Mr. JONES. Well, you do not expect me to assent to the fact that the International Harvester Corporation is a subsidiary in any sense whatever. It is an absolutely separate legal entity.

Senator REED. They are separate legal entities; the statement of fact is all that I want.

Senator NELSON. What is the stock of the sales company; how much capital stock have they?

Mr. JONES. My recollection is \$1,000,000.

Senator NELSON. How much?

Mr. JONES. \$1,000,000.

Senator NELSON. \$1,000,000 only?

Mr. JONES. That is my recollection. I have very little to do with that, and I am not a director of it, and I really do not know.

Senator CRAWFORD. Senator Reed, will you let this come in right after your question, that the sales company and the New Jersey company have an identity of ownership; but this company that took over the foreign business embraces stockholders that are not interested in the two American companies?

Mr. JONES. That is perfectly true.

Senator REED. But they have the same officers?

Mr. JONES. Yes, sir; they have the same officers as the International Harvester Co., but not the same as the International Harvester Co. of America. As I say, I have nothing to do with the International Harvester Co. of America, not being a director; but I do not think they have the same officers.

Senator REED. Can you tell me the year in which the International Harvester Corporation, the European concern, the foreign concern, was organized?

Mr. JONES. It was organized during the summer of 1912.

Senator REED. And, coming back now to recapitulate a moment, its capital stock was \$60,000,000. The capital stock of the International Harvester Co. at that time was \$140,000,000. After the separation of the European companies had been effected, what was the capital stock then of the International Harvester Co.?

Mr. JONES. My present recollection is that the increase of capital stock was made after the European and foreign business and the outside lines were transferred to the International Harvester Corporation. My recollection is that at that time all the capital stock of the International Harvester Co. was \$120,000,000, \$60,000,000 of each kind, and that the increase of capital stock was made after that. That is my present recollection.

Senator REED. Well, I think, Mr. Jones, that you probably are in error about that.

Mr. JONES. I may be.

Senator REED. Because I find it alleged here in the petition [indicating] that in 1910 the capital stock was increased to \$140,000,000.

Mr. JONES. 1910? Then that was previous to the organization of the new company.

Senator REED. By the declaration of a stock dividend of \$20,000,000. And a little farther on in the tabulation of the stocks of different years I find, under 1910, common stock, \$80,000,000, and preferred stock, \$60,000,000. I think probably that was done at that time.

Mr. JONES. Yes; that increase had been made previous to that time. My distinct recollection is that the division was made half and half.

Senator REED. Then, in fact, did not you organize the European company in 1910?

Mr. JONES. No, sir; that is not correct. The International Harvester Corporation was organized only a short time before the bill was filed, and my recollection is that the bill was filed during the presidential campaign year, which was 1912.

Senator REED. What I have been asking is this: Assuming, now, that you had \$140,000,000 of stock in the International Harvester Co. at the time that the company owned the United States business and the foreign business, how much stock remained of the International Harvester Co. stock? What was its capital stock after you had taken those assets out? Did you reduce it from \$140,000,000?

Mr. JONES. There was no reduction of the total capitalization of both companies. That is, the \$140,000,000 was divided; the International Harvester Co., of New Jersey, stock was reduced, my recollection was, by \$60,000,000. Now, it may be that that \$20,000,000 of addition having been made before that was also divided, but my recollection was that the capital stock was divided equally, it having been estimated that the foreign business and the outside lines were substantially one-half of the total business.

Senator REED. Then, if I understand you correctly, you did actually have a meeting and reduce the capital stock of the International Harvester Co. after you had taken out the European business?

Mr. JONES. Certainly; that was done by regular stockholders' meeting. That was a matter of public notoriety.

Senator REED. Well, of course I have not followed this closely.

Mr. JONES. Certainly; it was a regular stockholders' meeting and all done publicly.

Senator REED. So that it was reduced?

Mr. JONES. So that it was reduced by the amount that was turned over to the International Harvester Corporation.



Senator REED. I am a little at a loss, Mr. Jones, to understand—I am asking this question with the greatest respect, in order to try to get at the facts—how it came that a man of your standing and property, as I understand, was willing to devote his labor to this enterprise in which you had no real interest—financial interest—and if you have anything further that you want to say about it along that line I should like to hear it.

Mr. JONES. Well, I will be very glad to state it as it struck me at the time. I was requested by friends that were pretty nearly life-long to help them out so far as I could as a member of the board of the directors of the International Harvester Co. They pretended that they wanted not my assistance as a stockholder or in any financial way, but they were good enough to say that they thought possibly my judgment and experience might be of help to them, and they asked me as a favor to consent to become a director of the corporation.

Senator NELSON. In what way did they ask you to help them out, if any?

Mr. JONES. By consenting to become a director of the corporation and by giving whatever judgment and advice I would be able to give in the transaction of the business.

Senator NELSON. They did not ask you to aid them in any way of dissolving?

Mr. JONES. None whatever.

Senator NELSON. And you did not go in for that purpose?

Mr. JONES. I did not go in for that purpose at all. I would have felt that it was, on the whole, rather selfish and rather cowardly, inasmuch as I had the time, to refuse to do it merely because it was going to involve some trouble; and there are certain features of corporate management that have appealed to me personally. The entire relation of corporations to the public has yet to be worked out satisfactorily, and, while I had not any conceit that I could contribute to any great extent to that problem, it was interesting to me, and from that point of view there was an aspect that rather appealed to me, and that is all the explanation that I can give.

Senator REED. Well, I thought perhaps there was something further.

Mr. JONES. No, sir.

Senator REED. Now, you accorded with the general policies of the company while you were in it?

Mr. JONES. After my election, yes, sir; I did.

Senator REED. And you did not make any effort to stop its practices or change its policies?

Mr. JONES. I knew of no practices in the company after I became a director that I thought in any way in contravention of law.

Senator REED. Or good morals?

Mr. JONES. Or good morals.

Senator REED. In other words, if I get you correctly, Mr. Jones, you simply mean to say this: It is your idea that a corporation organized along the lines in the way that this company is organized is a perfectly proper, legitimate business transaction?

Mr. JONES. That is going further than my answer went.

Senator REED. Well, I do not want to go an inch further than you want to go.

Mr. JONES. Well, let me define my own position in that regard. The attack which has been made upon the International Harvester Co., as represented by the suit, referred primarily to the circumstances attending the organization. It was claimed that in the manner in which it was organized it was a monopolistic enterprise and operated in restraint of trade. Now, with those circumstances which constituted the gist of the charge I had nothing to do.

And you asked me whether I entirely approved of them; I say that that question is to-day pending before the courts, and if the courts say that that was an improper organization I shall be prepared to say that I think so, too.

But you are asking me for an opinion on a question that is now pending before the courts of the United States; when you ask me whether I entirely approve of the entire organization and methods of transacting the business, I confine my statement to the transaction of business by the corporation since I became a director.

Senator NELSON. Well, Mr. Jones, I will put the question to you in a brief form. On the whole, you approve the course of this company; you approve the course of this New Jersey company and its two affiliated companies?

Mr. JONES. Since I became a member of the board of directors.

Senator NELSON. And indorse every thing they have done since then?

Mr. JONES. Since then.

Senator NELSON. And approve of it?

Mr. JONES. I do, heartily.

Senator NELSON. And do not think they have been in any sense law violators?

Mr. JONES. I do not, sir, since I became a director.

Senator HITCHCOCK. Whose place did you take on the board of directors?

Mr. JONES. Some eastern man.

Senator HITCHCOCK. How did the vacancy occur?

Mr. JONES. By resignation. I am not sure whether it was Mr. Hagood or some eastern man.

Senator HITCHCOCK. Was he unsatisfactory to the voting trustees?

Mr. JONES. Not that I know of. I have no reason to suppose so at all. I made no inquiry about that. I was merely told that there was a vacancy and asked to consent to my election to fill the vacancy. I am not at all sure whose vacancy it was.

Senator HITCHCOCK. You think it possible that the vacancy occurred and you were selected as a concession to Mr. McCormick?

Mr. JONES. I have not any reason to think so at all, sir.

Senator HITCHCOCK. Are you interested in business enterprises with Mr. McCormick?

Mr. JONES. Not in the slightest.

Senator HITCHCOCK. In no other way?

Mr. JONES. In no other way whatever, sir.

Senator HITCHCOCK. Are there any other questions? Senator Crawford, have you any questions?

Senator CRAWFORD. Just this: Before Mr. McCormick suggested that you take a place on the board of directors did he give you an outline of the reasons why he wanted you on the board and what

particular theories or purposes he had in mind to carry out in connection with this organization and its future plans?

Mr. JONES. No, sir. I have given substantially the entire transaction. He merely asked me, on the score of old and long-standing friendship, to consent to go on the board.

Senator CRAWFORD. And you did not commit yourself to any specific plan?

Mr. JONES. I did not, sir, at all.

Senator CRAWFORD. That is all.

Mr. JONES. And I was not asked to.

Senator POMERENE. There was just one matter that you spoke of that I wanted to inquire a little further about. In speaking about these conferences with the Attorney General, as I understood you, you stated that that portion of the business of the International Harvester Co. which was in foreign countries was highly competitive, and you seemed to distinguish between that and the business in this country, as I inferred?

Mr. JONES. That is substantially correct.

Senator POMERENE. Now, my first question is, What did you mean when you said that the foreign business was highly competitive? Did you mean with business enterprises of a similar nature in those particular countries or did you mean that the business as between American companies who were seeking those markets was highly competitive?

Mr. JONES. Both, sir. In all the countries in which the International Harvester Co. had been operating in foreign countries there were local manufacturers of harvesting machines, with the possible exception of Russia. I am not sure whether the harvester and mower trade of Russia had local manufactories or not, but in Sweden and Germany and France it had. There was also, and is to-day, quite a large foreign business by American companies. The Deere Co., for instance, has a large foreign trade in harvesters and mowers. I believe the Massey—Harris Co., of Canada, has a large foreign trade.

Senator NELSON. If you will allow me, the McCormick Co., to my certain knowledge, had an agency at Odessa, Russia, as early as the eighties. The man who was agent for a good many years used to be our county auditor.

Mr. JONES. That is a selling agency.

Senator NELSON. That is a selling agency.

Mr. JONES. They have a warehouse at Odessa, but no manufactories.

Senator NELSON. Yes; they had a big agency at Odessa.

Senator POMERENE. What was your purpose in having these plants built abroad? Was it to avoid the tariff, or take advantage of the difference in wage cost?

Mr. JONES. The tariff in some countries was pretty nearly prohibitory, and it is going up constantly. There was another element. Each of these countries that I have mentioned—due either to prejudice or different physical conditions—requires a somewhat different type of machine. Norway, for instance, will not have the regular American machine, and they will not have the machine that will go in Germany or France. There are certain local peculiarities that have to be met with a workout on the ground.

Senator REED. It is pretty hard to place a Norwegian anyhow, is it not, Senator Nelson? [Laughter.]

Senator SHAFROTH. Well, I do not think that a Norwegian is the only one that is hard to place. [Laughter.]

Senator POMERENE. Now, what were the particular distinguishing features, so far as they related to the business of your company here in America, that made them objectionable to the Department of Justice, rather than the foreign business?

Mr. JONES. Well, it was charged that in the manufacture and sale of harvesters and mowers a substantial monopoly had been created by the creation of the International Harvester Co., and that it accomplished a restraint of trade. There was no pretense that the foreign branches of the company had produced any such results, nor was there any such result claimed in any of the outside lines. The company had no such proportion of the trade in any of those lines that made it possible to suggest a monopoly. And the foreign trade is a large and growing trade; it has been growing a good deal faster than the domestic trade; and to mix up a trade that was new and that had been built up without any pretense whatever of any monopolistic condition—to keep it mixed up and make it abide the result of the decisions of the court with regard to local domestic business, would not have resulted in any good public interest, and it would result in ultimate public loss, without apparently any motive.

Senator POMERENE. What proportion of the American trade did the International Harvester Co. have?

Mr. JONES. Of the American trade?

Senator POMERENE. Yes; of the American trade.

Mr. JONES. Well, it has been going down steadily. When the corporation was organized my recollection is that it was charged that something like 75 per cent—was it?—the percentage has been going down steadily, and my recollection is that it is now somewhere in the neighborhood of 50 per cent. I am referring now to harvesters and mowers.

Senator POMERENE. When you expressed your approval of the transactions and business methods of the International Harvester Co. since your connection with it, did you have in mind and give your approval in that statement to the original organization of the company?

Mr. JONES. I did not, sir.

Senator POMERENE. Or any of the transactions of that company between the date of its organization and the time when you became a directing force in the company?

Mr. JONES. I limited my statement, or meant to do so, strictly to the transactions of the company after I had become a director.

Senator POMERENE. The purpose of my question was to make that perfectly clear.

Mr. JONES. I want to make that clear.

Senator POMERENE. If I understand you, then, you meant simply this, that assuming that the business as then organized was organized in conformity to and not in violation of the law, anything which was done after that, so far as you were cognizant of it, was in harmony with what you believed to be the law?

Mr. JONES. Precisely; that is just what I meant to state.



Senator POMERENE. I will put another question just to get your viewpoint. As a general proposition, do you approve of the combination of these large manufacturing concerns that are in the same line of business, so as to control the trade of a country so large as this country? You can answer that question or not, just as you wish.

Mr. JONES. Why, that opens up a very interesting question; and there might be some circumstances under which it would be industrially proper, and then circumstances under which it would be injurious. Now, whether in the particular case it was justified or injurious is a question now pending before the courts.

Senator REED. Upon which you would not care to express an opinion?

Mr. JONES. I would rather not. It is a legal question.

Senator POMERENE. Well, I will not ask it.

Senator REED. Assuming that the primary organization was within the prohibition of the law, and in violation of it, and the organization having been effected, and the concern being then and there carrying out the purpose of their organization, would you consider that in carrying out the purposes for which the illegal organization was effected, you would not be violating the law?

Mr. JONES. Well, let me answer that in this way: It might be held that by the formation of the International Harvester Co. of New Jersey a power had been lodged in that company which no company ought to have, a monopolistic power. It might be true, however, Senator, that such power so lodged had never been injuriously exercised.

Senator NELSON. It might be true, but it is not true, Mr. Jones.

Mr. JONES. Well, that is a question, concerning which, as I say, the courts have to decide. I am trying to answer fairly Senator Reed's question, whether a corporation which would be conceded to have been a monopoly when created—

Senator REED (interposing). To have been organized in defiance of the law.

Mr. JONES. Well, to have been organized in defiance of law, it might well be that such a corporation, never having exercised that power, competition will grow up inevitably, provided injurious practices are not carried out, and competition might spring up in the course of time which would completely destroy and nullify any monopolistic tendency. As a matter of fact, I think that the record shows that the competition of the International Harvester Co. has grown every year, and is to-day vigorous.

Senator REED. That is not exactly the point.

Senator CRAWFORD. Let him finish. Had you finished?

Senator REED. Pardon me; I did not mean to interrupt.

Mr. JONES. I had substantially finished.

Senator REED. It is more an ethical question than anything else; but assuming that a concern is organized in defiance of the law, having certain specific purposes, namely, to engage in trade and commerce; that this organization is illegal; do you feel that a man is then warranted in going on and conducting that concern, which, from its very inception, and from the very nature of its organization, is illegal. Would it not be his duty to insist upon its disorganization?

Mr. JONES. Let me ask you, does not your question assume that the corporation is using a power which it illegally acquired by its organization? I say frankly, without any reservation at all, that I have felt that the business as transacted by the International Harvester Co. since I became a member, is not objectionable to law in any way, nor inimical to public interests.

Senator REED. It is charged in this bill [indicating] that the company when it was originally organized only controlled the binder, harvester—

Senator NELSON (interposing). That is, four or five companies.

Senator REED. That the company, when it was first formed, controlled about 75 per cent, I believe it is, of the binder and mower business, and a much smaller per cent of other agricultural implements; but that it had been increasing its holdings from time to time until at the date this petition was filed it was charged that—

at least 90 per cent of the harvesters and grain binders, and 75 per cent of the mowers, and over 50 per cent of the binding twine annually produced and sold in the United States are the products of the International Harvester Co., and are sold through the International Harvester Co. of America, as herein described.

There are only three or four manufacturers of harvesting machinery in the United States other than the International Harvester Co. These, in comparison with it, are small; and as their business does not embrace the entire United States, in many sections of the country the International Harvester Co. has complete monopoly of the harvesting machinery.

Now, it is a fact, is it not, that you are increasing your holdings, increasing the output of your factories, and increasing the number of agricultural implements constantly, and are still doing it?

Mr. JONES. No, sir. I think you will find that the record disproves those allegations. The company did acquire—Senator Nelson mentioned the Osborne Works.

Senator NELSON. What?

Mr. JONES. The Osborne Works. The company did acquire one or two plants after the original organization, and by such acquisition—

Senator NELSON (interposing). They acquired one up in New York, I think.

Mr. JONES. The Osborne Co.

Senator NELSON. The Osborne Co.?

Mr. JONES. Yes. Now, they did increase their output somewhat in that way; but during the last six or seven years the proportion of the business in harvesters and mowers has been steadily and rapidly decreasing, and it is now less than the original 75 per cent that was charged there in the petition.

Senator HITCHCOCK. What is the proportion of the business? How is it in the aggregate, without regard to the relation?

Mr. JONES. The harvesting and mowing machine business is not on the increase. That has been a stationary business for some years. All of the unoccupied lands in the country pretty nearly are taken up, and the increase has been in the Canadian Northwest, where new land comes into cultivation. The increase in the business has been largely in these outside lines. It has been a fact proved in the record that the harvesting machine and mower business has been for a num-

ber of years, certainly, stationary, if not slightly recedent; and the expectation is that it will still further recede.

Senator NELSON. Does not that come from the fact that the raising of small grain has been stationary?

Mr. JONES. That is it exactly. It has been the small grains that have been stationary; the people have been going into the dairy business.

Senator NELSON. What companies have been interested in the manufacture of harvesters and mowers?

Mr. JONES. The John Deere Co. is a very powerful corporation.

Senator NELSON. The John Deere Co. is operating through your company?

Mr. JONES. Oh, no, sir.

Senator NELSON. I meant the Deering Co.

Mr. JONES. Oh, the Deering machine is a part of the International Harvester machine.

Senator NELSON. That is what I meant.

Mr. JONES. But the John Deere Co. is a very powerful organization.

Senator NELSON. That is a great plow company?

Mr. JONES. That is a great plow company; but they are manufacturing an enormous number of harvesters and mowers.

Senator CRAWFORD. Well, is the Plano Co. in your company?

Mr. JONES. Yes; the Plano is a part of the International Harvester Co.

Senator NELSON. Then they took in another company from Ohio in addition to the Osborne Co.; what was that named?

Senator POMERENE. The Warder Glessner Co.

Mr. JONES. Yes; that was a part of the original consolidation, I think.

Senator NELSON. I did not mean to interrupt Senator Reed's question.

Senator REED. Some of the plants which you have acquired have been dismantled, have they not, and ceased to operate?

Mr. JONES. I do not think any plants have been dismantled. The articles manufactured at the plants, in some instances, have been changed; some of these side lines. For instance, the plant at Milwaukee, the tractor engines are built there, and the cream separators and, I think, the shredders.

Senator NELSON. Well, you have discontinued that as a harvester and a mower plant?

Mr. JONES. Yes; we have discontinued it as a harvester and mower plant.

Senator NELSON. Did you not take in one at Minneapolis? Was not a company there manufacturing harvesters and mowers?

Mr. JONES. At Minneapolis?

Senator NELSON. Yes.

Mr. JONES. I have no recollection of it. I do not remember any plant up there that was taken in; there may have been one. If so, it was in the early years.

Senator REED. You took in the Akron Works, at Akron, Ohio?

Mr. JONES. Yes, sir.

Senator REED. You acquired that from the Alden Miller Co.?

Mr. JONES. Yes, sir.

Senator REED. They manufactured the Buckeye mowing machine or harvester. They discontinued the manufacture of that, did they not?

Mr. JONES. I am not sure of that.

Senator POMERENE. I may say that that concern went into the hands of a receiver, and was later sold out by the receiver, and I think it was after that that your company became the possessor of it.

Senator REED. After it was sold out?

Senator POMERENE. After it was sold out.

Mr. JONES. That was before my connection with the company, and I can not pretend to have any knowledge of it at all.

Senator HITCHCOCK. Mr. Jones, what are the annual profits of your company, before the payment of interest? Just the profits of operation.

Mr. JONES. My recollection is that the last annual report showed that, after the payment of the 7 per cent dividend on the preferred and 5 per cent on the common stock, there was—I am very poor at carrying figures in my head—I think the total profits above the dividend and surplus are something like \$14,000,000.

Senator HITCHCOCK. Now, is it true that before the organization of this company the individual concerns were only making \$10,000,000?

Mr. JONES. Before the organization altogether? I really can not tell you about that. I never went into that end of it at all.

Senator HITCHCOCK. I notice from something that I have here that I was looking over [indicating], the hearings, that the total profits of the McCormick, the Deering, the Warder B. & G., and the Plano Co. aggregated \$10,283,000.

Mr. JONES. But you must bear in mind that since then pretty nearly all of these outside lines have been instituted, and these profits that I have mentioned included all the foreign business, which has all sprung up since the organization of the International Harvester Co. in 1901.

Senator HITCHCOCK. Where did the additional capital come from?

Mr. JONES. Do you mean the additional \$20,000,000? The \$120,000,000 was in that original company.

Senator HITCHCOCK. Where did the additional capital come from to do this much larger business?

Mr. JONES. The surplus each year has been turned into capital.

Senator HITCHCOCK. No new capital has been brought in?

Mr. JONES. No new stock, except that \$20,000,000 stock dividend.

Senator NELSON. When was that stock dividend declared?

Senator REED. In 1910.

Mr. JONES. Somewhere about 1910.

Senator NELSON. That was after you became a director?

Mr. JONES. Yes; I became a director in 1909.

Senator NELSON. You joined then in declaring that \$20,000,000 stock dividend?

Mr. JONES. I did.

Senator NELSON. After they had received 7 per cent on their preferred stock and 5 per cent on the common stock, you joined in declaring the \$20,000,000 stock dividend in addition?



Mr. JONES. I did; representing the surplus actually available for it.

Senator HITCHCOCK. Is that not one of the evils of this consolidation in restraint of trade, Mr. Jones, that it does result in wringing larger profits out of the consuming public?

Mr. JONES. Well, it sometimes results that way, and it sometimes results just the opposite way. There are unsuccessful combinations, and there are successful ones. I do not think that you can say that all the combinations have wrung larger profits out of the public; and there were a number of years when the corporation did not pay the dividends I have mentioned. There were four or five years after the company was organized in which the company did not declare more than 4 per cent.

Senator NELSON. On the common stock?

Mr. JONES. On the common stock.

Senator NELSON. But the preferred stock always paid 7 per cent?

Mr. JONES. My recollection is that it did.

Senator CRAWFORD. Does this increase come out of the increased price the consumers pay, or does it come out of enlarging the business, or does it come out of the reductions or economies that result from these consolidations? We hear statements in support of each one of these propositions. What is your opinion about it?

Mr. JONES. I think the Missouri case covers that. I think that the Supreme Court of Missouri found that the company had not increased to the consumer the cost of the machines, as a judicial determination of that fact—and I believe it is the fact. They have not increased the cost of the machine to the consumer, equal to the actual cost of manufacturing. They have been able to effect certain economies. They get their raw materials, and they have their large selling expenses divided with their other lines.

Senator NELSON. Well, they have subsidiary companies owning timberlands and manufacturing timber, and owning iron ore and manufacturing pig iron?

Mr. JONES. They have. The Wisconsin Steel Co. is the subsidiary that furnishes the raw material.

Senator NELSON. Yes; the iron?

Mr. JONES. Yes, sir.

Senator NELSON. And what is the company that procures the wood?

Mr. JONES. I think it is called the Deering Co. It is down in Missouri. They have certain large timber tracts down there.

Senator NELSON. Yes.

Mr. JONES. It is at a place called Deering, I know; and I am not sure what the subsidiary itself is called.

Senator NELSON. Well, those subsidiary companies, of course, are owned by the parent company?

Mr. JONES. Yes, sir.

Senator NELSON. And they furnish the supplies?

Mr. JONES. Yes, sir; the raw materials.

Senator CRAWFORD. Well, it is that efficiency in organizing this thing clear down to the raw materials that causes the greater economy in production?

Mr. JONES. Undoubtedly; in part.

Senator CRAWFORD. The prices have not been reduced in any of these implements?

Mr. JONES. Well, they have not been advanced in any of these implements, and they have not been very much reduced. The cost of manufacture has gone up; the cost of raw material, of course, has gone up in that industry, like everything else.

Senator NELSON. Now, let me call your attention to this, Mr. Jones: Before the organization of this company, each one of these constituent companies—the Deering, the Plano, the McCormick, and all those other companies—each would have their own sales agent in a town?

Mr. JONES. Yes, sir.

Senator NELSON. Now, in this organization you cut all of that out and have only one sales agent in a town?

Mr. JONES. No, sir; that is a mistake, Senator Nelson.

Senator NELSON. It is not a mistake, of my own knowledge.

Mr. JONES. As a matter of fact, that was found to be not feasible. It was found that the Deering machine could not be handled by McCormick agents, and there are selling agents in pretty nearly all the large centers.

Senator NELSON. Well, that is the jobbing centers. But when you come to deal with the farmers—now, I live in a small town of 3,000 people, the county seat, and we have only one sales agent there representing the company, and he has handled it for years, and before that we had five or six.

Mr. JONES. Well, in the larger centers there are—

Senator NELSON (interposing). In the jobbing and distributing centers?

Mr. JONES. Yes, sir.

Senator NELSON. But where you come to deal directly with the farmers, instead of having four or five or six agents you have only one. Those are the facts?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. Mr. Jones, I would like to get this in a more compact form than I have had it before. I notice by the hearings in this case, in which your company and the directors were defendant, that the profits of the companies which composed the original company when it was created had prior to that time been paying an aggregate of \$10,283,686?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. And that the profits of your company in 1910 were \$16,700,000, which is a 60 per cent increase in the profits; and I understood you to say that no new capital had gone into the enterprise at all?

Mr. JONES. The surplus or—no; no new capital; that is correct.

Senator HITCHCOCK. And you started with a surplus of \$2,000,000, and by 1910 the surplus had increased to \$16,000,000. Now, the question I put to you is just a question to get your point of view—whether you do not think that is exacting, or that that indicates that the corporation was formed for the purpose of exacting excessive profits from the consuming public?

Mr. JONES. Well, frankly, I say that I do not think that the International Harvester Co. has exacted undue profits from the public. I think the Missouri decision—the opinion of the court, rather—bears out that contention. However, that will be passed upon by the court which now has the matter under consideration.

Senator REED. The Missouri court?

Mr. JONES. I say I think the Missouri court found that there was no increase of cost to the producer. It has been quite a while since I read the decision, but I think that is the purport of it.

Senator REED. I thought you meant to say that that opinion would be passed upon by the Supreme Court of the United States.

Mr. JONES. Oh, no.

Senator REED. It has been passed upon already.

Mr. JONES. Yes; but it was not on the merits; they did not go into the merits.

Senator POMERENE. They went into the constitutionality of the Missouri statute?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. Are there any other questions?

Senator SHAFROTH. I want to ask a question, Mr. Jones. Since you have been connected with the International Harvester Co., has there been any watered stock?

Mr. JONES. Not a dollar.

Senator SHAFROTH. All the stock that has been issued has represented money, has it?

Mr. JONES. Absolutely.

Senator SHAFROTH. Has any of it represented property put in at a valuation?

Mr. JONES. No, sir.

Senator SHAFROTH. This increase of the capital stock that you were questioned concerning—from \$120,000,000 to \$140,000,000—was that \$20,000,000 of increase represented by cash?

Mr. JONES. It was represented by a surplus, which was represented by properties actually owned by the company.

Senator NELSON. Senator Shafroth, that was represented by the 20 per cent stock dividend.

Senator SHAFROTH. Well, if a stock dividend has been issued, I do not see why it can not be—

Mr. JONES (interposing). The surplus was reduced by just so much.

Senator SHAFROTH. There was a surplus of more than \$20,000,000 at that time?

Mr. JONES. Yes, sir.

Senator SHAFROTH. And when that \$20,000,000 of surplus was set aside it was in payment of the stock?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. What year was that?

Senator NELSON. Can you not see, Senator Shafroth, that they capitalized the profits of the concern and made it all the harder for the poor farmer, who had to buy the implements, and who had to pay the dividends on that increase?

Senator SHAFROTH. It may be that he paid for it, but this is no fictitious stock at all.

Senator REED. After the stock was issued at \$120,000,000, there was no new money afterwards added to the concern from the outside?

Mr. JONES. No, sir.

Senator REED. There was afterwards added, however, \$20,000,000, called a stock dividend?

Mr. JONES. Yes, sir.

Senator REED. Was there \$20,000,000 in money accumulated by the company for which this stock was issued?

Mr. JONES. There was.

Senator SHAFROTH. During what years was that?

Mr. JONES. From 1901 to 1910.

Senator REED. Was it in actual money, or in properties?

Mr. JONES. In property. Some of it was in cash, but most of it was in properties.

Senator REED. In other words, your company had proceeded, from time to time, and had extended plants from time to time and bought plants from time to time, and it kept books, and they ascertained after a while that, according to their books, they had \$20,000,000 more assets than they had of stock, and thereupon they issued stock for that. That is what you mean, is it not?

Mr. JONES. Well, it was a surplus. The assets that constituted the original capital stock might be diminished or increased; but a surplus is a technical setting aside of certain profits that are not declared as dividends.

Senator REED. They had set aside a surplus?

Mr. JONES. Exactly.

Senator REED. That surplus was not in cash; it was in property?

Mr. JONES. Principally in property.

Senator REED. Well, in getting that, do you know whether they went back and counted off the wear and tear of plant—the depreciation of plant, and the obsolescence of plant?

Mr. JONES. There is a very stringent depreciation charge each year.

Senator REED. Let us go into this question of capital. As a matter of fact, the total capital of all these five companies when they went in, at the time they organized this concern with \$120,000,000 of capital, did not aggregate \$11,500,000, did it?

Mr. JONES. What is that?

Senator REED. The total capital of all the companies that were amalgamated together to make the International Harvester Corporation, when the first \$120,000,000 was issued, did not aggregate \$11,500,000?

Mr. JONES. Do you mean the capital stock and not the capital? As a matter of fact, Senator, all the properties that were turned in in payment of the capital stock issued by the International Harvester Co., by inventories made by outside appraisers, and pretty rigidly scrutinized, because each company scrutinized the properties of the others, showed an actual surplus of cash value above the entire capital stock issued of \$120,000,000.

Senator REED. Have you ever examined those papers yourself?

Mr. JONES. I have seen a statement of the inventories. That is a matter that is undisputed, that those inventories upon which the capital stock was ultimately fixed showed an actual cash surplus value over and above all the stock that was issued for it.

Senator REED. Well, I had arrived at a very different conclusion.

Mr. JONES. Well, I think you are mistaken.

Senator REED. I may be. If I am, I want to get it right. But the allegations of this bill are that in 1902—

the aggregate annual output of five separate concerns manufacturing and selling harvesting machinery and twine, including binders, mowers, reapers, rakes, etc., amounted to over 85 per cent of all the harvesting machinery, and



more than 50 per cent of the binding twine sold and produced in the United States. These concerns were the McCormick Harvesting Machine Co., an Illinois corporation, capital stock \$2,500,000, with factories located at Chicago, Ill.

Now, this is the original organization.

Senator SHAFROTH. When was that originally organized?

Senator REED. In 1902.

Senator SHAFROTH. Do you mean that \$2,500,000 was all the capital stock that the McCormick Co. had in 1902?

Mr. JONES. Stock.

Senator REED. I mean that this petition says that that was all the stock of the company, \$2,500,000.

Senator SHAFROTH. How long had that company been in existence at that time?

Senator REED. I do not know.

Senator SHAFROTH. It may have been accumulating property for 20 or 40 years before that.

Senator REED. "The Deering Co., with factories at Chicago, Ill."

Now, there is no value given there.

The Plano Manufacturing Co., an Illinois corporation, capital stock \$1,000,000, with factory at West Pullman, Ill.

The Warder-Bushnell & Glessner Co., an Ohio corporation, capital stock \$3,000,000, with factories at Springfield, Ohio.

The Milwaukee Harvesting Co., a Wisconsin corporation, capital stock \$1,000,000.

Senator NELSON. Assuming, Senator Reed, that the Deering Co. was as big as the McCormick Co.—

Senator REED (interposing). I am going to give you the Deering Co.'s figures, because it is stated in the record of the suit, if I can get my eyes on it.

Senator LEE. I think the witness has already stated that he did not enter into an examination of that original valuation.

Mr. JONES. Well, I will state without any hesitation and absolutely that the record of these legal proceedings shows that at the time the International Harvester Co. was organized inventories, made elaborately and by outside concerns having no interest in it, showed an actual surplus of cash value above the total stock issued, namely, \$120,000,000.

Senator SHAFROTH. Then there has never been any watered stock in this company?

Mr. JONES. Not a dollar of watered stock.

Senator NELSON. Let me call your attention to one fact—and it appeared in the bill, these implement companies had been accustomed for years to sell on time and take the notes of farmers. Now, that paper was turned over to the company and stock was issued for \$40,000,000 for that paper. That is what the bill shows. But that paper was worth something. They collected those notes, and they issued stock for them. The notes went to the new company and the new company collected them and got the money out of the farmers.

Mr. JONES. I do not quite understand. Do you mean that there was a duplication of stock issued for the notes, and then stock issued for the cash?

Senator NELSON. No; stock issued for the notes, and the notes went to the new company.

Senator SHAFROTH. If the notes were paid, what would be the difference?

Senator NELSON. They got their money back.

Senator SHAFROTH. They would have to get their money back in order to make their capital intact.

Senator NELSON. But that did not go into the question of manufacturing.

Senator SHAFROTH. They put in \$20,000,000.

Senator HOLLIS. Working capital.

Senator SHAFROTH. They put in \$20,000,000 of working capital.

Senator REED. I wanted to know whether the physical properties and cash were \$120,000,000?

Mr. JONES. \$120,000,000, yes; including plants and manufactured stock and credits outstanding—debts actually owing, farmers' notes and property.

Senator SHAFROTH. Did it include any good will?

Mr. JONES. Not a dollar of good will.

Senator CRAWFORD. Or promoters' fees?

Mr. JONES. Not a dollar of promoters' fees.

Senator NELSON. Oh, yes; Morgan & Co. received promoters' fees.

Mr. JONES. Well, promoters' fees; there was a fee paid for organization expenses.

Senator REED. \$3,451,863.34 was paid to J. P. Morgan & Co.

Mr. JONES. But there was property in actual cash covering that turned over to the company. I state positively that the records show that the property turned over to the company exceeded by actual cash value the entire stock issued, including promoters' fees and all.

Senator REED. Here is a company organized that takes over a lot of property. The physical properties that it takes over, and the notes and bills receivable that it takes over aggregated \$120,000,000. Now, when they get through with their organization, they take \$3,400,000 and turn it over to Morgan & Co.

Mr. JONES. Your statement is wrong; it aggregated, not \$120,000,000, but some \$130,000,000.

Senator HITCHCOCK. When you say "property" what do you refer to?

Mr. JONES. Plants—

Senator HITCHCOCK. I find that the valuation which the actuaries and accountants found of the McCormick property was \$39,668,157; and upon the Deering plant, \$27,237,195; upon the Plano plant, \$3,068,667; and I have not been able to find the other one, the Warder, B. & G. Co.

Senator NELSON. The Warder, Bushnell & Glessner Co.

Mr. JONES. Those figures do not include any outstanding bills receivable; there were an enormous amount of farmers' notes outstanding.

Senator HITCHCOCK. The plants themselves fall something short of \$70,000,000.

Mr. JONES. Well, the outstanding notes of the International Harvester Co. are enormously large.

Senator REED. This is the allegation:

That of this stock (\$120,000,000), \$53,400,000 was apportioned among the owners of the McCormick, Deering, Warder, Bushnell & Glessner, and Plano Cos., in consideration of the transfer by each company of all its real estate, factories, plants, buildings, improvements, machinery, patterns, tools, apparatus, fixtures, patents, inventions, devices, patent rights, licenses, trade-marks,

trade names, and good will, of all and singular said property as a going concern, and supplies, products, and materials on hand, pending contracts, railroad equipment, as well as all other property of the vendor appertaining to the vendor's business, except bills and accounts receivable.

Now, that is \$53,400,000.

Mr. JONES. Those are the allegations of the bill; they are not proved.

Senator REED (reading):

Stock in the amount of \$40,000,000 was apportioned among the owners of the McCormick, Deering, Plano, and Warder, Bushnell & Glessnor Cos., in consideration of the assignment by the vendor companies to the purchasing company of bills and accounts receivable of like amounts, guaranteed by the vendors or for cash.

Stock in the amount of \$3,148,196.66 was issued to J. P. Morgan & Co., of New York, who had paid that amount in cash to secure the property of the Milwaukee Harvester Co., which was conveyed to the International Harvester Co., as above stated.

Now, that was a company of \$1,000,000.

Stock in the amount of \$3,451,863.34 was issued to J. P. Morgan & Co. for services rendered and for legal expenses.

That is the allegation of the bill, as you see; but generally speaking, the Government is pretty careful about this bill. However, I do not think we need waste any more time on that. I am through with my questions.

Senator SHAFROTH. None of this was, however, done while you were a director?

Mr. JONES. None of it.

Senator HOLLIS. I would like to ask a few questions: In 1909, Mr. Jones, you had to make up your mind whether you would become a director of the International Harvester Co.?

Mr. JONES. Yes, sir.

Senator HOLLIS. And you had to satisfy yourself upon certain problems. Now, you knew at that time that the International Harvester Co. was popularly called the Harvester Trust?

Mr. JONES. Yes, sir.

Senator HOLLIS. And you knew that throughout the West, or in some sections, there were charges that they acted as a monopoly, acted oppressively and raised prices by unfair means. You knew those charges were made?

Mr. JONES. I did.

Senator HOLLIS. You did not want to become a director in a concern like that, did you?

Mr. JONES. No, sir.

Senator HOLLIS. And therefore you had to pass judgment for yourself as to whether those charges were true?

Mr. JONES. In a general way, I did.

Senator HOLLIS. Yes; in a general way?

Mr. JONES. I did.

Senator HOLLIS. Now, if you had believed that these other officials with whom you associated yourself were lawbreakers and were acting in violation of the Sherman antitrust law, would you have become a director?

Mr. JONES. No, sir; I would not if I thought so at the time.

Senator HOLLIS. At the time; I am speaking about 1909.

Mr. JONES. Yes, sir.

Senator HOLLIS. And then the matters that you had to settle for yourself divided themselves into two branches, generally speaking.

The first was as to the original organization, which might or might not have been in violation of the Sherman antitrust law. Now, how did you regard that?

Mr. JONES. That is the legal question—

Senator HOLLIS (interposing). No; I am not asking you as to whether they had or not; but, as I understand, you regarded that as a question to be determined by the courts?

Mr. JONES. I did. I felt just as sure then as I do now that it would have to be decided by the courts.

Senator HOLLIS. And you considered that as a question on which honorable men might fairly divide?

Mr. JONES. I did.

Senator HOLLIS. The other question was as to the selling agencies throughout the country, where it was claimed that the International Harvester Co. in their contracts with dealers provided that the dealers should not deal in competing goods of any other concern. You knew that that was the charge?

Mr. JONES. I know that that was not the fact. It has been disproved.

Senator HOLLIS. I am asking you this: You knew that that was the charge?

Mr. JONES. I knew that that was the charge.

Senator HOLLIS. When you became associated with this company as a director, of course it would make a difference in the fairness or unfairness of the company whether that practice was continued?

Mr. JONES. It would.

Senator HOLLIS. And have you satisfied yourself as to whether the selling contracts are unfair?

Mr. JONES. I have satisfied myself that I believe they are entirely fair. There is no element of exclusive dealing in them at all. The agents of the International Harvester Co.'s machines handle the Deere machines; they handle any other machines that they see fit.

Senator HOLLIS. So that you, by personal investigation, have satisfied yourself that there is nothing in the conduct of the International Harvester Co. with which a high-minded man can not properly identify himself?

Mr. JONES. I have.

Senator HOLLIS. Now, going back to the 1909 situation, when you joined the company, was there any reason in the world why you should have associated yourself at that time with a company of law-breakers?

Mr. JONES. Not the slightest.

Senator HOLLIS. Was there anything in it for you?

Mr. JONES. Nothing whatever in it, either financial or sentimental. I believed that the gentlemen who asked me to go in were not law-breakers, and that is the reason I went in. If, after I went in, I had found out that they were, I would have gone out of the company.

Senator POMERENE. You did not anticipate this situation of today. [Laughter.]

Senator HOLLIS. If it should result, in the Government's suit against the International Harvester Co., that there is a decree that



the combination was unlawful in 1901 or 1902, and that it must be dissolved, would that alter your opinion at all as to the moral status of your present associates?

Mr. JONES. It would not. That is a matter again upon which there might be a difference of opinion. I believe, personally, that they thought they were not doing anything wrong; but it may turn out that they were. If the court says that they were, we will all believe they were.

Senator HOLLIS. You distinguish, do you not, between something legally wrong and something morally wrong?

Mr. JONES. I do.

Senator REED. Do you think it is perfectly right morally for a man to create a monopoly?

Mr. JONES. That depends altogether upon the kind of monopoly. Business morality is in the making. Things that were considered legitimate 25 or 30 years ago are not considered legitimate now, and by the same persons.

Senator NELSON. Mr. Jones, you surprise me. I always thought the Decalogue and the principles of the Christian religion were immutable, and not subject to change. They are the same now as they were 1,800 years ago.

Mr. JONES. I am not speaking of the Decalogue.

Senator NELSON. But as to the rules and principles of morals I did not suppose there was any new discovery. You will recall that Macauley, in his History of England, says that while there are a great many new discoveries and inventions in science, in the matter of religion and morals there are none. But you have announced a new gospel.

Senator HOLLIS. Allow me to express what I understand as to the Gospel. That the principles of morals and of the Gospel have never changed, but our understanding of them has constantly changed.

Senator REED. I thought since the Sherman antitrust law was enacted we all understood that monopolies were prohibited and combinations in restraint of trade were made illegal. But I have no further questions to ask.

Senator LEE. If the criticisms of the law officers of the National Government, as expressed in this bill of complaint, should receive the final approval of the courts, no matter what form that approval might take, in the way of a decree, it would not have the slightest effect upon your personal fortunes?

Mr. JONES. Not a particle. I have got \$100 invested in the common stock; that is all.

Senator LEE. Now, in case those criticisms should take affirmative form, in the nature of a final decree, and this company was directed to do certain things, or undo certain things which were done, your attitude would be, of course, entirely corresponding to the order of the court?

Mr. JONES. Why, certainly.

Senator LEE. There is nothing in your financial or personal relationship that would preclude you from taking that attitude?

Mr. JONES. Nothing at all, Senator.

Senator LEE. You have been acquainted a long time with the President, have you not, Mr. Jones? You have been closely associated with him in Princeton matters?

Mr. JONES. Yes; Princeton University.

Senator LEE. And in that connection he has had ample opportunity to make personal observation of your character and conduct, has he not?

Mr. JONES. He has had some opportunity to make investigation; yes, sir.

Senator REED. It is an unpleasant question to ask, and I only ask it to show that there is a distinction. You say that no decree of the court would affect your personal fortune. If it should be determined by the court that the harvester company is a trust operating in violation of law—

Senator HOLLIS (interposing). I referred to this bill of injunction.

Senator REED (continuing). It might affect the officers of the company.

Mr. JONES. Why, there is nothing charged against them. I do not understand how there could be a personal decree there, Senator. There has never been any suggestion of a thing of that sort that I have heard.

Senator REED. It is a very possible form of decree, however.

Senator HOLLIS. I want to remind the members of the committee that they have not asked anything about the Zinc Trust.

Senator HITCHCOCK. That will come up later.

(Thereupon, at 3 o'clock p. m., the committee took a recess on a call for a quorum in the Senate, after which the following proceedings were had:)

Senator NELSON. Mr. Jones, are you a stockholder, director, and officer in the New Jersey Zinc Co.?

Mr. JONES. I am a stockholder and a director. I am not an officer.

Senator NELSON. Did you join in the organization of that company?

Mr. JONES. I did not join in the organization of the company; that had been organized a long time ago. I joined in the acquisition by the New Jersey Zinc Co. of the Mineral Point Zinc Co. in 1897.

Senator NELSON. I am coming to that.

Mr. JONES. Yes; I had nothing to do with the New Jersey Zinc Co.; that was organized a long time ago.

Senator NELSON. You are a stockholder and a director in the Mineral Point Zinc Co.?

Mr. JONES. I am a director and I am at present its president.

Senator NELSON. Yes.

Mr. JONES. The Mineral Point Zinc Co. is a subsidiary of the New Jersey Zinc Co.

Senator NELSON. When was that Mineral Point Zinc Co. organized?

Mr. JONES. The Mineral Point Zinc Co. was organized in 1883.

Senator NELSON. And when was it taken in by the New Jersey Zinc Co.?

Mr. JONES. In 1897.

Senator NELSON. 1897. After it was taken in, was there an increase in the capitalization of the New Jersey Co.?

Mr. JONES. Yes, sir.

Senator NELSON. What was the capitalization before that?

Mr. JONES. The capitalization before that was something like \$4,000,000.

Senator NELSON. \$4,000,000?

Mr. JONES. The capital stock was increased in 1897 to \$10,000,000.

Senator NELSON. \$10,000,000. And how much was your Mineral Point Zinc Co taken in at?

Mr. JONES. About \$900,000.

Senator NELSON. What was the original capitalization of that company.

Mr. JONES. \$400,000.

Senator NELSON. And they took you into the New Jersey Co. at \$900,000?

Mr. JONES. They did. That was the capitalization.

Senator NELSON. Did you get money or stock for it?

Mr. JONES. Stock entirely; no money.

Senator NELSON. The New Jersey Co., you say, is capitalized for \$10,000,000?

Mr. JONES. \$10,000,000.

Senator NELSON. What does that consist of, common and preferred stock?

Mr. JONES. No, sir; it is all one stock; there is no preferred stock; it is common stock.

Senator NELSON. One stock?

Mr. JONES. Yes, sir.

Senator NELSON. Is the company bonded, too?

Mr. JONES. Yes, sir; it has a bond issue of \$4,000,000, of which there is a little under \$3,000,000 outstanding.

Senator NELSON. \$3,000,000. That is in addition to the capital stock?

Mr. JONES. Yes, sir.

Senator NELSON. Did you become a director of the New Jersey Co. at the time they took in your Mineral Point Co.?

Mr. JONES. No, sir.

Senator NELSON. When did you become a director of the New Jersey Co.?

Mr. JONES. I became a director of the New Jersey Zinc Co. about six years ago, I should say.

Senator NELSON. Are you acquainted with what is known as the Prime Western Smelter Co.?

Mr. JONES. I am.

Senator NELSON. What is that—a Wisconsin corporation?

Mr. JONES. No, sir; a Missouri corporation.

Senator NELSON. Were you one of the organizers of that company?

Mr. JONES. No, sir; I had nothing to do with the organization of it.

Senator NELSON. Are you a stockholder?

Mr. JONES. That is a subsidiary of the New Jersey company.

Senator NELSON. I asked you, are you a stockholder in that?

Mr. JONES. I am not.

Senator NELSON. Are you a director?

Mr. JONES. I am not.

Senator NELSON. Is it a subsidiary of the New Jersey company?

Mr. JONES. It is.

Senator NELSON. Do you know what that was taken in for?

Mr. JONES. I can not tell you exactly. I should say roughly about \$300,000, but I am not sure about it.

Senator NELSON. Do you know what it was capitalized for originally?

Mr. JONES. I do not know; I do not remember.

Senator NELSON. But it was taken in by the New Jersey company?

Mr. JONES. It was.

Senator NELSON. For \$300,000?

Mr. JONES. I should say about that. I do not carry the figures in my mind accurately.

Senator NELSON. Do you know anything about the Empire Zinc Co.?

Mr. JONES. Yes, sir.

Senator NELSON. What kind of corporation is it?

Mr. JONES. That is a mining organization entirely; it furnishes the raw material; it mines zinc ore; it does not manufacture at all.

Senator NELSON. What State is that corporation organized under?

Mr. JONES. That is a Missouri corporation, I think; Missouri or Colorado; Missouri, I think.

Senator NELSON. How much is that capitalized for?

Mr. JONES. I am not sure; I do not remember about that; it is not a large corporation.

Senator NELSON. Was that taken in by the New Jersey Zinc Co.?

Mr. JONES. It was.

Senator NELSON. Are you president and director of the Depew & Northern Railway Co.?

Mr. JONES. I am.

Senator NELSON. Where is that?

Mr. JONES. That is a road about 4 miles long, connecting the smelter plant of the Mineral Point Zinc Co. at Depew, Ill., with what was known as the "3 I's Railway Co." It is a connecting road.

Senator NELSON. Was that taken in by the New Jersey company?

Mr. JONES. The stock of that is owned by the Mineral Point Zinc Co., which is a subsidiary.

Senator NELSON. The stock is owned by the Mineral Point Zinc Co., which is a subsidiary of the New Jersey Co.?

Mr. JONES. Yes, sir; it was a feeding road of the Mineral Point Co. plant.

Senator NELSON. Are you connected with the Mineral Point & Northern Railroad Co.?

Mr. JONES. I am a director of that.

Senator NELSON. Is that a Wisconsin corporation?

Mr. JONES. That is a Wisconsin corporation. That is also a feeding road, all the stock of which is owned by the Mineral Point Zinc Co. It is intended to connect the plant of the Mineral Point Zinc Co. with the iron-ore territory.

Senator NELSON. So that the Mineral Point Zinc Co. owns these two railroad companies, and the Mineral Point Zinc Co. was taken in by the New Jersey Co.?

Mr. JONES. These railroads were built after it was taken in.

Senator NELSON. Yes; but the stock is held by this Mineral Point Zinc Co.?

Mr. JONES. It is.

Senator NELSON. And the Mineral Point Co. stock is held by the New Jersey Co.?

Mr. JONES. It is.



Senator NELSON. Have you any competitors in the zinc business of any account—the New Jersey corporation?

Mr. JONES. Yes, sir; very vigorous competitors.

Senator NELSON. Your chief mine is in New Jersey, is it not?

Mr. JONES. Yes; the chief mine is in New Jersey.

Senator NELSON. Yes. Does not the company have a zinc-proof contract with their customers? Does not the company make a contract with their customers regulating the sale and disposal of the property?

Mr. JONES. No, sir; it does not.

Senator NELSON. No kind of contract?

Mr. JONES. No, sir.

Senator NELSON. Just a sales contract?

Mr. JONES. They are at liberty to do anything they like with it after they get it.

Senator NELSON. What are the profits of the New Jersey Co. a year?

Mr. JONES. The last two years the profits have been large, growing out of its mining operations. The profits were about \$5,000,000.

Senator NELSON. \$5,000,000?

Mr. JONES. Yes, sir.

Senator NELSON. And they paid a dividend of about how much?

Mr. JONES. They paid dividends of about \$5,000,000 during the last year and \$4,000,000 the year before.

Senator HITCHCOCK. What was the capital?

Mr. JONES. \$10,000,000.

Senator NELSON. They paid \$5,000,000 this year and \$4,000,000 the year before?

Mr. JONES. That is my recollection; yes, sir.

Senator NELSON. And what interest do the bonds bear?

Mr. JONES. Four per cent.

Senator NELSON. That is, after paying the fixed charges and paying the interest on the bonds they had this dividend to pay?

Mr. JONES. Yes, sir.

Senator NELSON. Fifty per cent one year and over 40 per cent the next year?

Mr. JONES. Yes, sir.

Senator NELSON. It is a profitable thing?

Mr. JONES. That, you will bear in mind, is largely a mining enterprise, and the dividends are not, strictly speaking, profits. A mining corporation distributes its assets with each dividend. In other words, a mining corporation stands on a little different basis from other corporations.

Senator NELSON. You export your ore, do you not?

Mr. JONES. Only a small portion of ores that can not be used here. It is a special product of ore.

Senator NELSON. Do you not sell mostly by mail to paint grinders?

Mr. JONES. By mail?

Senator NELSON. Yes.

Mr. JONES. None at all.

Senator NELSON. Who are the customers of the New Jersey Co.?

Mr. JONES. We make three products—oxide of zinc, spelter, and sulphuric acid, which is a by-product of the ores.

Senator NELSON. Whom do you sell that stuff to?

Mr. JONES. The oxide of zinc is sold in about equal quantities to paint grinders and to rubber manufacturers.

Senator NELSON. Yes.

Mr. JONES. It is used very largely in the manufacture of rubber, in whitening rubber.

Senator NELSON. Do you sell it to jobbers or retailers?

Mr. JONES. We sell it to retailers.

Senator NELSON. Throughout the country?

Mr. JONES. Yes, sir.

Senator NELSON. Do you have any contract of rebate with them, or any contract by which you fix the price at which to sell your product?

Mr. JONES. None whatever.

Senator NELSON. And what do you do with the other products?

Mr. JONES. Spelter we sell to the trade at large.

Senator NELSON. Yes.

Mr. JONES. Also the sulphuric acid.

Senator NELSON. To the jobbers or the retailers?

Mr. JONES. The retailers. We do not sell to jobbers at all.

Senator NELSON. You do not sell to jobbers?

Mr. JONES. No, sir.

Senator NELSON. Now, you say last year your profits in the company—you declared a dividend of \$5,000,000, which would be fully 50 per cent; and the year before over \$4,000,000. Now, how much the year before that?

Mr. JONES. Well, it went down; the year before that, my recollection is that the profits would be about \$3,500,000; but the figures are not—

Senator NELSON (interposing). Now, the company was organized in 1907?

Mr. JONES. No, sir; in 1897.

Senator NELSON. I mean your company was taken in then?

Mr. JONES. In 1897.

Senator NELSON. In 1897 your company, the Mineral Point Co., was taken in?

Mr. JONES. Yes, sir.

Senator NELSON. And shortly after that you were elected a director, were you not?

Mr. JONES. No, sir; I was elected a director about six years ago.

Senator NELSON. What have been the profits; take the six years, year by year, the first years that you were a director?

Mr. JONES. During the first years they were comparatively low.

Senator NELSON. How low? Enough to pay 10 per cent dividends?

Mr. JONES. No, sir; not during the first years.

Senator NELSON. Seven per cent?

Mr. JONES. I should say about 7 per cent.

Senator NELSON. Well, the next year?

Mr. JONES. Well, with the improved mining plants that we had they gradually went up. The dividends have been increasing.

Senator NELSON. How much were they the next year?

Mr. JONES. Well, in a period of 17 years I do not remember the dividends right along from year to year. They went up to 10 per cent.

Senator NELSON. Thirty per cent, 40 per cent, or 50 per cent?

Mr. JONES. It did not reach 30 per cent until, I should say, three or four years ago.

Senator NELSON. And since then have they been at that rate, from 40 to 50 per cent?

Mr. JONES. During the last two years; yes, sir.

Senator NELSON. About 50 per cent?

Mr. JONES. Yes, sir.

Senator NELSON. A pretty good stock. I guess that is all.

Senator REED. How many companies have been taken into that New Jersey company, absorbed or financed in any way?

Mr. JONES. Two besides ours.

Senator REED. What proportion of zinc products does that New Jersey company control?

Mr. JONES. Zinc products?

Senator REED. Of the products that you produce?

Mr. JONES. In the spelter business—that is metallic zinc—the total spelter trade of the country amounts to about \$375,000 to \$400,000, of which the New Jersey Zinc Co. and its subsidiaries manufacture about 20 per cent. Of the sulphuric acid, which is a by-product in roasting the zinc ore, the total output of the country is enormous. The total output of the country is fully 3,000,000 of tons, of which we make 100,000.

Senator SHAFROTH. One-thirtieth then you make?

Mr. JONES. Three per cent of the total output.

Senator SHAFROTH. That would be about one-thirtieth?

Mr. JONES. Yes; of zinc, the New Jersey Zinc Co. and its subsidiary, the Mineral Point Zinc Co., make about 70,000 to 75,000 tons a year, and make the larger part of the product of the country. That is made out of the New Jersey zinc mine ores, which are the only ores in the country that make a certain grade of oxide of zinc.

Senator NELSON. The oxide of zinc; is that the material from which they make paint?

Senator REED. White lead?

Mr. JONES. No; not white lead. White lead is an entirely different product. Of course it is keenly competitive with zinc in paints. Mixed paints are made up of a certain percentage of it.

Senator REED. It looks like white lead; is that it?

Mr. JONES. Yes, sir; it has certain advantages over white lead. It does not turn yellow, for instance, while white lead does turn yellow.

Senator REED. You said you made the large part of the product. What proportion?

Mr. JONES. The Sherwin-Williams Co. has quite a large plant down in Missouri; just the output of that I do not know. The Ozark Co.—I think they make about 10,000 tons. The Mineral Point Zinc Co. makes about 7,000 tons, and the New Jersey Co., at Mine Hill, makes about 65,000 tons.

Senator REED. Are those the only concerns that produce the product?

Mr. JONES. They are the principal concerns that produce the product.

Senator REED. Then you produce about 70 per cent?

Mr. JONES. Of the oxide of zinc; yes.

Senator REED. Now, where in Missouri are your mines located?

Mr. JONES. We have no mines of consequence in Missouri. We have mines in Colorado. We have some mines in Joplin, Mo., but we are not operating them.

Senator REED. I understood you to say you had some in Missouri. You simply have some mine territory there?

Mr. JONES. Yes. We have some ore properties in Colorado, at Canon City, Colo., and we have bought considerable ores at Leadville.

Senator REED. As I understand you, this oxide of zinc is used to make a paint, which is a character of paint which closely resembles white lead paint, and then it can be colored to any color?

Mr. JONES. Zinc oxide is never used by itself as a paint. It is used in combination with lead. It lacks what is called coloring capacity when used alone.

Senator REED. Has the New Jersey concern any relations of any kind with any other institution engaged in producing this product?

Mr. JONES. None whatever; only the subsidiaries that I have mentioned.

Senator REED. You sell in competition then with them?

Mr. JONES. Absolutely.

Senator HITCHCOCK. And in the case of oxide of zinc you manufacture about 90 per cent of the product?

Mr. JONES. Not more than about 85 per cent. I am not sure what the Sherwin-Williams Co. manufacture. They are the largest manufacturers of mixed paint. They use a great deal themselves, and just how much they sell I do not know.

Senator REED. You are making that oxide of zinc in Wisconsin, in your plant there, and the New Jersey company in its plant in New Jersey?

Mr. JONES. Yes, sir.

Senator REED. And what other company was there making it that was taken in?

Mr. JONES. What was known as Manning & Squire. There were two concerns that claimed an interest in this large mine in New Jersey, the unique mine deposit—Manning & Squire and the Lehigh Zinc & Iron Co. They were all mining portions of the same mine, and there had been litigation among them lasting for pretty nearly 40 years as to lines, etc., and the courts were at their wits' ends how to decide it, and the New Jersey company purchased the interest of those companies in that mine.

Senator REED. The New Jersey Zinc Co. was a company that was organized to take over all of these properties and adjust these differences by accommodation?

Mr. JONES. No, sir; that is not correct. The New Jersey company is an old company organized 40 years ago.

Senator REED. It was finally used as a conduit to take them over, however?

Mr. JONES. It purchased the other companies.

Senator REED. And it paid them in stock?

Mr. JONES. It paid them in stock.

Senator REED. So that in that way the New Jersey company, which was an old company which had a limited capital stock, acquired the properties. Do you remember how much its capital stock was before this consolidation?



Mr. JONES. I should say about \$4,000,000.

Senator REED. And it proceeded then to increase its capital stock and to take in these various rivals that were quarreling over the ownership of that deposit in New Jersey and pay them out of the common stock?

Mr. JONES. Yes, sir.

Senator REED. Thus all those rivalries were reconciled?

Mr. JONES. Yes, sir.

Senator REED. Those concerns that you speak of as being engaged in mining are also engaged in manufacturing?

Mr. JONES. Yes, sir.

Senator REED. So that the mining controversies were wiped out and the rivalries in trade between those concerns were wiped out?

Mr. JONES. That is correct.

Senator REED. Now, that left your company one of the large outside producers?

Mr. JONES. Yes, sir.

Senator REED. And your company was taken in, and you took your pay in stock?

Mr. JONES. Yes, sir.

Senator REED. And thus there was put into this one consolidation 80 per cent to 90 per cent of the production of zinc oxide?

Mr. JONES. Yes; not of spelter.

Senator REED. Of zinc oxide?

Mr. JONES. Yes, sir.

Senator REED. So that the only important concern left outside is the Sherwin-Williams Co., of Missouri?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. It has about one-eighth?

Senator REED. Yes. Now, all of this consolidation of these various interests was worked out through increasing the capital stock of the New Jersey company and turning over to the various companies that were taken in or to their owners stock in the new company?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. What is the price of zinc now?

Mr. JONES. It varies according to the quality a good deal. Oxide of zinc which contains a little lead, which practically all western oxide does, sells about half a cent lower than oxide of zinc which is made at the New Jersey mine, which is practically lead free. It ranges anywhere from  $4\frac{1}{2}$  cents up to  $5\frac{1}{4}$  cents.

Senator HITCHCOCK. It has been advancing in price over a period of years?

Mr. JONES. There was an advance made about two years ago. There was no advance made this year.

Senator HITCHCOCK. How has it been affected by this last tariff?

Mr. JONES. The tariff was reduced on oxide of zinc and spelter.

Senator HITCHCOCK. Has it affected the price?

Mr. JONES. It has not affected the sale very materially.

Senator HITCHCOCK. Are there any importations of oxide of zinc?

Mr. JONES. There are importations of what is known as French oxide, red seal and green seal. The French processes of manufacture are entirely different from the American. First, they make spelter, the metallic zinc, and then they oxidize that, and it makes a denser,

whiter pigment that costs a good deal more money. That is worth from 6 to 7 cents a pound, and there is an importation of that.

Senator HITCHCOCK. Is this oxide of zinc used in stereotyping?

Mr. JONES. No, sir. Spelter, the metallic zinc, is used in zinc plates.

Senator HITCHCOCK. I know that the cost of stereotyping material has been increasing.

Mr. JONES. No; oxide of zinc is not used for that.

Senator REED. There is no real competition between the character of oxide of zinc you produce and the character of oxide of zinc produced in Europe. That is correct, is it not—that is a higher grade?

Mr. JONES. That is a higher grade of oxide. Of course, there is competition for the reason that the denser, whiter pigment will go farther than oxide made by the American process.

Senator CRAWFORD. Do this New Jersey company and the Sherwin-Williams Co. in this country control this oxide production?

Mr. JONES. Yes, sir. The Sherwin-Williams Co. and the New Jersey company control the oxide production. Its subsidiaries manufacture all the oxide of zinc that there is of American manufacture.

Senator CRAWFORD. They do not control the basic material from which the oxide can be produced in this country?

Mr. JONES. Not all, except so far as the ores of Mine Hill are peculiar; they are lead free. Oxide of zinc that is produced from western ores has an ingredient of lead which makes it impracticable to use it in the rubber trade. It makes the rubber brittle.

Senator CRAWFORD. Does that explain why they have such a large proportion of this business?

Mr. JONES. Absolutely. The Mine Hill ore has had a natural monopoly of ores of that character. There is no other mine of the kind in the world.

Senator HITCHCOCK. That is in New Jersey, is it not?

Mr. JONES. That is in New Jersey.

Senator REED. Why were your profits so comparatively small formerly?

Mr. JONES. In the first place the properties were very uneconomically managed. That is a very expensive mine; you have to go down deep for the ore; and the mining expense has been greatly reduced and the output has been increased. As I said before, all mining operations are necessarily exhaustive proceedings, and that mine is an extraordinary mine, but it is a rapidly exhausting mine. The company has been making the utmost out of it, and every economy that can be made has been used, and gradually it will be compelled to find some means of utilizing western ores, which at present are utilized to a limited extent.

Senator REED. You spoke a moment ago about that mine being a natural monopoly. What was your mine in Wisconsin?

Mr. JONES. What was our mine in Wisconsin?

Senator REED. Your mine in Wisconsin produced the same class, did it not?

Mr. JONES. No, sir; it did not. That was the trouble. The Mineral Point Zinc Co. was organized by a number of citizens of Mineral Point, Wis., who developed the zinc business and the territory—I was born there, and born with an interest in it. And when these citizens of Mineral Point built an oxide plant there they knew nothing

about it. They borrowed a lot of money from a brother of mine, and when they found that they had the plant all fixed and all built and had their storehouse full, they could not sell a pound of it; and the way we got into the zinc business was, we had to take that property at their urgent solicitation, for the money that my brother had loaned to them.

At that time there was a certain amount of what is known as carbonates. The zinc ores are mostly carbonate and silicate and sulphide ores.

Of the carbonate ores there was a sufficient supply for our purposes. We had to tear down the plants and rebuild them, and of the carbonate ores—there were a sufficient amount of carbonate ores for our uses for the time being; but that stock became exhausted; and their is to-day, outside of a certain amount of carbonate ores at Leadville, there is not much deposit of carbonate ores there.

At that time it was impossible to make oxide of zinc that was salable out of the desulphurized sulphide, and we found that the kind of oxide that we could make out of the ores that were left in Wisconsin would only meet certain demands of the paint men; that is, certain grades of paint only, and not the others. We were at a disadvantage, in that the kind of ores that we were restricted to would not make the kind of oxide of zinc that the trade demanded; and this New Jersey deposit, which was, as I say, practically a natural monopoly of a nonleaded zinc—they could supply the entire trade.

On the other hand, the New Jersey Zinc Co.'s mine was rapidly exhausting and the time was certain to arrive when they would have to make oxide of zinc of some sort out of western ores. In other words, they would have to establish a western department in order to meet the requirements of the trade after that mine was exhausted; and our needs, with what was certain to be their need, dictated an industrial fixing up of the business with them. It was not a question of monopolization; it was a question of "root hog or die."

Senator REED. I do not understand how, if you did not have the material, you could be of benefit to them?

Mr. JONES. Because we were making a low grade of oxide which was valuable used with—

Senator REED (interposing). Mixed with theirs?

Mr. JONES. Mixed with theirs. And we do mix it to this day.

Senator REED. By mixing the two products—

Mr. JONES (interposing). By mixing the two products we made a salable product.

Senator HITCHCOCK. You were not making any dividends before you consolidated with the New Jersey company?

Mr. JONES. The Mineral Point company never at that time had paid a dollar of dividends. I do not mean to say that we did not make any money, but every dollar of the money had to go into plant, experiments, and extensions.

Senator CRAWFORD. Then these big dividends will come to an end when this New Jersey mine is exhausted?

Mr. JONES. I am sorry to say they will.

Senator CRAWFORD. Then you are making hay while the sun shines?

Mr. JONES. Yes, sir.

Senator CRAWFORD. You have got a pretty good thing while it lasts?

Senator HITCHCOCK. You were taken into that concern in what year?

Mr. JONES. Eighteen hundred and ninety-seven. And I say that there has never, to my knowledge, been a charge of any sort that we have been in violation of any Federal law, and no charge in any State in which we have operated that we have been in violation of any State law at all.

Senator HITCHCOCK. That was in 1897. Prior to that time your capital stock had been about \$400,000?

Mr. JONES. \$400,000.

Senator HITCHCOCK. And you were given \$900,000 of stock in the New Jersey concern, and the New Jersey concern had \$4,000,000, which was increased to \$10,000,000?

Mr. JONES. \$10,000,000.

Senator HITCHCOCK. With an indebtedness of \$3,000,000?

Mr. JONES. The indebtedness was incurred afterwards, to build plants. There was no indebtedness in 1897.

Senator HITCHCOCK. So that the capital of the two concerns was doubled at the time of the consolidation?

Mr. JONES. Substantially; yes, sir.

Senator SHAFROTH. What was the value of your plant at the time it was taken into the New Jersey company?

Mr. JONES. We had a mine down in New Mexico, which we still have, which is a pretty good mine, and I should say that when we turned in our company the value of our properties was fully what we got in stock at the time.

Senator SHAFROTH. \$900,000?

Mr. JONES. \$900,000. I should say that the plant was worth at least \$450,000, the capital stock being \$400,000, and that our mine was worth as much more.

Senator SHAFROTH. What was the New Jersey company worth? How much did it put in in actual value into this new organization?

Mr. JONES. Well, it put this mine, on which no valuation has ever been put.

Senator SHAFROTH. It is very valuable, however?

Mr. JONES. Oh, yes; it is still a valuable property, although, as I say, it is a rapidly exhausting property.

Senator SHAFROTH. I will ask you whether or not, in your judgment, the total assets and property of the company amounted to \$10,000,000?

Mr. JONES. I think they did; yes, sir.

Senator SHAFROTH. So that you do not think that any watered stock was put into either one of them?

Mr. JONES. No, sir; not a dollar.

Senator HITCHCOCK. Are there any further questions?

Senator REED. Had the mine in New Mexico ever paid any dividends?

Mr. JONES. No, sir. Well, that belongs to the Empire Co.; it has made no profit.

Senator REED. I say, at the time it went in?

Mr. JONES. No, sir; we had gotten ores from it. We had not developed the mine at the time we sold it to the New Jersey Zinc Co.



Senator REED. Has it been developed since?

Mr. JONES. It is being developed now.

Senator REED. Do you get some of this ore out of it that you use in mixing the oxide?

Mr. JONES. Some of it. We got it for that purpose, but it proved not so very good. But large bodies of sulphide—

Senator NELSON (interposing). Your company was taken in by the New Jersey company for \$900,000 and that Missouri company, I think you said, for \$300,000?

Mr. JONES. The Prime Western, that was purchased afterwards. That was not a part of the original transaction. We wanted to go into western spelter.

Senator NELSON. What was taken in when they organized the New Jersey company and issued all that stock? What was taken in outside of the original company?

Mr. JONES. The organization known as the Lehigh Zinc & Iron Co. and a concern known as Manning & Squire, of New York.

Senator NELSON. They were taken in at how much?

Mr. JONES. I do not remember the amount. They were taken in. I think Manning & Squire was taken in at about, I should say, \$1,200,000. It has been so long ago I do not remember the exact figures, but I should say the Lehigh Zinc & Iron Co. was taken in at about \$1,500,000.

Senator NELSON. Now this old New Jersey company owned this mine, did they not?

Mr. JONES. It had been in litigation for 40 years between these three concerns. They claimed to own it all, and the others claimed to own a large slice of it.

Senator NELSON. And they settled the litigation and issued stock?

Mr. JONES. Yes, sir.

Senator NELSON. I am going to ask a question, but I suppose it shows my ignorance. What is spelter?

Mr. JONES. Spelter is metallic zinc.

Senator NELSON. Metallic zinc?

Mr. JONES. It is like sheet zinc.

Senator NELSON. What is that used for?

Mr. JONES. It is used in galvanizing. All the galvanizing is made out of spelter, and all the sheet zinc. It is used in the arts pretty largely. And it is used in making brass very largely. It is one of the constituents of brass.

Senator NELSON. What proportion of the spelter products of the country does the New Jersey company produce?

Mr. JONES. A little less than 20 per cent.

Senator NELSON. And 90 per cent of the oxide?

Mr. JONES. Yes, sir.

Senator NELSON. There is another product?

Mr. JONES. Sulphuric acid.

Senator NELSON. What proportion of that does the New Jersey company produce?

Mr. JONES. About 3 per cent.

Senator NELSON. And what is that used for?

Mr. JONES. Sulphuric acid?

Senator NELSON. Yes.

Mr. JONES. It is used very largely in making fertilizers and in the arts. It is used in the Southern States in manufacturing fertilizers, the bulk of it is used for that. That is an enormous industry. We make that merely as a by-product of the roasted ores. Most of it is made out of iron pyrites, as a direct manufacture. We do not do that at all.

Senator NELSON. Now, what is the process when you extract the ores from the New Jersey mines in the ground? Do you reduce it first?

Mr. JONES. No, sir. That is a complex ore. It consists of what is known as willamite—that is, a silicate of zinc and a mixture of willamite and franklinite, which is a mixture of manganese and iron zinc. That is separated by quite an elaborate magnetic separating plant, a very large plant, which, by magnetic process, takes the franklinite, which is slightly magnetic, out of the willamite, and that willamite is then used in making spelter, being free from iron and lead; the franklinite is roasted in furnaces, and the oxide of zinc goes away and the franklinite—the iron—remains as what is known as spieglisen, which is then used in making steel. It is fed into steel furnaces and it helps to make the steel tough.

Senator CRAWFORD. Do you employ many men in your New Jersey corporation?

Mr. JONES. Employees?

Senator CRAWFORD. Yes.

Mr. JONES. Yes; a very large number. Of course, the mining operations nowadays are carried on largely by machinery, but we employ a very considerable number of men in mining and also in the smelting industry.

Senator CRAWFORD. Smelting and manufacturing?

Mr. JONES. Yes, sir.

Senator CRAWFORD. Are you in sympathy with the general policy of these big consolidations, with the power that may be, in the abstract, dangerous, depending entirely on whether the men who are using it are good men or bad men?

Mr. JONES. No, sir; I am not in sympathy with them.

Senator CRAWFORD. You really do not believe in it?

Mr. JONES. I do not, frankly. I am giving my personal impressions, now, and not those of any corporations I may be connected with. I think industrially most of them are failures; and the difficulty is that they reduce the individual to a mere unit.

Senator CRAWFORD. Your idea is that if one of them is organized it may be dangerous or it may be kept within bounds by the right kind of a board of directors that you could accept a position on the board of directors for the purpose of keeping it within bounds, although there was a dangerous power vested in it?

Mr. JONES. I think they can be kept within reasonable bounds perfectly well, and I think many of them are.

Senator HITCHCOCK. You think this is not a combination in restraint of trade, or in control of trade—the New Jersey Zinc Co.?

Mr. JONES. I do not.

Senator HITCHCOCK. It has 85 per cent, you say, of the zinc trade of the country?

Mr. JONES. Of the oxide of zinc.

Senator HITCHCOCK. Of the oxide of zinc, I mean; yes.

Mr. JONES. About that.

Senator HITCHCOCK. Well, is there any other concern that controls a larger per cent of the products it manufactures?

Mr. JONES. Not of oxide of zinc.

Senator HITCHCOCK. No; I mean of any other industry. Is there any other company that comes any nearer to monopolizing a certain product?

Mr. JONES. No, sir. As I said, so long as oxide of zinc continues to be made out of the New Jersey mine ores the trade demands it and will not have anything else. It makes a grade of oxide of zinc that can not be made out of any other known ores in this country. I will say frankly that that mine is the whole business. There is no artificial combination of units to eliminate competition. That has not been attempted at all, and has not been accomplished, but that mine constitutes a natural monopoly.

Senator HITCHCOCK. Suppose your company and these others had not been united with the New Jersey corporation, would there be some competition between them?

Mr. JONES. Well, as I told you before, we were up against it, because we could not get ores that would make a product that would meet all the needs of our customers; and it was in order to get a product that would meet the needs of our customers that we were willing—we had not any desire, but we were willing—to sell our properties to the New Jersey company for stock in that company; and ever since then, as I told you, we have mixed the two and made a good product out of the mixture. I believe it has been industrially a great advantage to our customers; and my own judgment is that our customers have been fairly treated, and as you have seen there has been no combination in restraint of trade.

Senator HITCHCOCK. One of the purposes in creating the new banking and currency system is to decentralize the banking power in the United States.

Mr. JONES. Yes, sir.

Senator HITCHCOCK. Which has been used to create monopolies. And I suppose that thought has been in the minds of some when the question arose as to your connection with two concerns which seem to have for their purpose a creation of great combinations; and the committee was curious to know whether your views were in harmony with the opinion of the country, which is strongly opposed to anything tending to centralize or monopolize business.

Mr. JONES. I have not the slightest hesitation in answering any questions along that line that may be asked, as to what my views may be as to general policy. I am thoroughly in accord with what I believe to be President Wilson's policy in destroying monopoly.

Senator HITCHCOCK. How would you go to work in destroying the zinc monopoly?

Mr. JONES. I do not believe it is destructive, because I do not believe it is a monopoly in that sense.

Senator CRAWFORD. That is a case where the supply has been limited by nature and is not limited by artificial combination.

Mr. JONES. Exactly.

Senator HITCHCOCK. Yes; it looks that way.

Senator SHAFROTH. There is no law requiring a man who owns a mine, if there is no other mine of the kind in the world, to divide it up so as to permit of competition.

Senator CRAWFORD. By destroying the combination you could not increase the output from that mine.

Senator HITCHCOCK. Where are the other mines in the world that produce oxide of zinc?

Mr. JONES. The European oxide of zinc is made, as I said, out of spelter. They do not make it out of ores direct. The Vielle Montagne is the original concern and is still very wealthy.

Senator HITCHCOCK. Where is that?

Mr. JONES. The Vielle Montagne is a Belgian concern. They are the central, the head of all the zinc concerns, and they buy mostly their ores. They have ores of their own. The Vielle Montagne was originally a mine. But that was exhausted, as most mines are exhausted, and they buy their ores all over the world. They get a good deal from Spain. They get a good deal from Silesia. There are large zinc mines in Silesia. And there is a Turco-Greek island that produces a good deal.

Senator HITCHCOCK. What is our tariff on your product?

Mr. JONES. The tariff on spelter was reduced to  $1\frac{1}{2}$  cents. It was  $2\frac{1}{2}$  cents; and the tariff on oxide of zinc, I think, is the same,  $1\frac{1}{2}$  cents or  $1\frac{3}{4}$  cents.

Senator HITCHCOCK. It is a reduction from what it formerly was?

Mr. JONES. Yes, sir.

Senator HITCHCOCK. Why should there be any tariff if there is only one mine in the country?

Mr. JONES. You take the Sherwin-Williams Co. out in Missouri. They would have something to say about it. They are buying Missouri and New Mexico ores. As far as the New Jersey Zinc Co. is concerned, the probability is that the foreign products would not seriously jeopardize its business, so long as it has this one mine which is going.

Senator HITCHCOCK. Suppose the tariff is  $1\frac{1}{2}$  cents per pound, what per cent of your selling price would that represent?

Mr. JONES. Well, taking  $4\frac{3}{4}$  cents, for instance, about the selling price—30 per cent. It is not so much a question of the tariff on zinc as it is the relative tariff on white lead and zinc. They are the real competitors, and they are very vigorous competitors.

When you say that we have 85 per cent of the oxide of zinc trade, that is misleading, because the real competitor of zinc is white lead, and every movement in either one of those products affects the other, and there is a very keen and lively competition, and always has been, between white lead and zinc.

Senator HITCHCOCK. Are there any other questions? We have kept Mr. Jones nearly all day.

Senator LEE. Senator Crawford has just called your attention to the fact that nothing could be done to increase the product of that New Jersey mine, and yet the combination that you have made really increased the applicability and public usefulness of the product of that mine, did it not?

Mr. JONES. Oh yes; it has made the output a great deal more, although, of course, that hastens the exhaustion.



Senator SHAFROTH. You were speaking of the competition between white lead and zinc?

Mr. JONES. Yes, sir.

Senator SHAFROTH. Now, what is the extent of the production of white lead?

Mr. JONES. Oh, it is very large; very much larger than that of oxide of zinc. I could not give you the figures.

Senator SHAFROTH. And yet that has a very strong influence upon the price of zinc?

Mr. JONES. It has the controlling influence. I should say there is probably three or four times as much white lead used as there is oxide of zinc.

Senator SHAFROTH. I have no other questions, Mr. Chairman.

Senator HITCHCOCK. Are there any further questions by any member of the committee? Mr. Jones, we are very much obliged for your statement.

Mr. JONES. I am obliged to you and the committee for your courtesy, Mr. Chairman.

(Thereupon, at 4 o'clock p. m., the committee adjourned.)



